

CURRENT HISTORY

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EDITOR'S NOTE:

With this issue *Current History* begins regular coverage of the United States. As with other countries, our coverage will broadly examine important topics from a variety of points of view. One topic that has elicited intense debate in the United States is its role in the post-cold war world. Extremes abound, from those advocating only slight modification to America's security posture and foreign policy goals to those calling for America to "come back home." In the lead article, Alan Tonelson charts a course for a third path, one in which the United States can attend to its domestic concerns while remaining engaged in the world by redefining its goals and security concerns.

This is an election year, and the political and economic policies of President Bush are assessed by an Oxford political scientist and a University of Pennsylvania economist. Gillian Peele finds that Bush is a pragmatist and Washington insider who has, in domestic policy at least, been reactive rather than active, and who is still unable to offer substance to the "kinder, gentler" nation he promised the country in 1988. The president's economic policies are critiqued by F. Gerard Adams, who notes that short-term solutions to long-term problems have become a hallmark of this and previous administrations, both Democratic and Republican. Adams offers possible solutions to the recession and also provides a proposal that would allow the United States to begin the work of reinvesting in its infrastructure and people.

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"The challenges and opportunities before America today are so great and so complex that no one person, or even one administration, can reasonably be expected to have all the answers. At this fateful moment in its history, however, this democracy could certainly use more help from its elected leaders in asking the right questions."

Prudence or Inertia? The Bush Administration's Foreign Policy

BY ALAN TONELSON

Can perhaps the most conventional of Americans cope with this most revolutionary of times? The answer will make or break George Bush's reputation. As he gears up for his re-election campaign, the verdict is surprisingly mixed. Bush has touted foreign policy as his strongest suit—the sphere where his résumé glitters, to which his attention naturally gravitates, and in which his instinctive prudence pays off. The president also portrays himself, justifiably, as the true heir to a line of foreign policy-minded, post-World War II American leaders who saved the free world, preserved nuclear peace, and reigned over a golden age in American history.

Bush's fealty to this half-century-old foreign policy tradition and his international experience have brought clear benefits. His diplomatic skills enabled the United States to fight a \$50-billion war against Iraq in the Persian Gulf early last year and preserve American access to reasonably priced oil without, in the end, paying a penny of the war's operating costs. His restrained reaction to communism's terminal crisis avoided antagonizing and alarming Soviet hard-liners, and surely helped the revolutions in Eastern Europe and the Soviet Union to proceed with minimal bloodshed. And his realistic refusal to erect roadblocks in the path of German reunification won the gratitude of Europe's new preeminent power.

ALAN TONELSON is research director of the Economic Strategy Institute, a Washington think tank studying United States economic, technology, and national security policy. He has written widely on American politics and foreign policy, and is coeditor of *Powernomics: Economics and Strategy After the Cold War* (Lanham, Md.: Madison Books, 1991).

Nonetheless, Bush's foreign policy conservatism is exacting considerable and mounting costs on America. It is, after all, a conservatism that is less reasoned than felt—or perhaps, more accurately, learned by rote. Consequently, it is less a strategy than an impulse. Indeed, Bush's incessant, almost ritualistic invocation of cold war ideals—collective security, stability, international law, and, above all, United States world leadership—indicates that his conservatism is becoming an intellectual cage. Mantras seem to be in command, instead of ideas.

Worse, this presidential atavism has cramped the process by which the United States sets its foreign policy goals and identifies its options—the ongoing national foreign policy debate. The contrast between American victories in the cold war and the Gulf war, and growing domestic social and economic decay shows that the traditional benchmarks for evaluating United States foreign policy are sorely inadequate. A wholly new definition of foreign policy success, and consequently an entirely new focus for American foreign policy, are needed. Unfortunately, the president has shown no interest in leading the way in redefining and refocusing United States foreign policy. Indeed, he has led the resistance, regularly tarring its few advocates as isolationists and protectionists.

Meanwhile, Bush's slavish devotion to the trappings of a status quo approach has reduced most of his partisan critics to quibbling over issues of tactics and style. The American post-cold war foreign policy debate eerily echoes past controversies. The generic framework, the imagined stakes, and the perceived answerability of these questions have remained remarkably constant. Only the names and places tie these contemporary arguments to the late 1980s and early 1990s rather than the early 1980s or even the 1960s: Can the United States

truly hope to cooperate with Soviet (or former Soviet) leaders? Should it promote democracy or stability in the world? Which is more important, military or economic power? Should the United States act unilaterally or multilaterally? What new political forms and limits on national sovereignty are needed to cope with increased interdependence and transnational problems such as pollution and migration? How can America legislatively and institutionally moderate the proliferation of weapons of mass destruction or the international economic competition? How can it prevent or contain conflict among nations? Is the United States too Soviet-centric? Euro-centric? Saddam-centric?

The result of this obsolete debate is a nation barely able to see the far more fundamental choices it faces, much less make them intelligently. And the grudging and incoherent adjustments that have been made to transformed international and domestic circumstances—for example, in defense spending levels and in setting trade policy for Japan—could actually diminish American security and prosperity. This failure of presidential leadership dwarfs the greatest foreign policy triumphs of the last four years.

WHAT NEW WORLD?

As even Bush sometimes acknowledges, the principal challenge confronting American foreign policy is reducing the burdens of world leadership borne by the United States since 1945 in order to liberate resources and attention for domestic revitalization. "[W]e can stop making the sacrifices we had to make when we had an avowed enemy that was a superpower," the president declared in his 1992 State of the Union address. "Now we can look homeward even more and move to set right what needs to be set right." Exactly where to put these resources—into deficit reduction, back into the taxpayers' hands, into domestic public investment—is hotly debated. So is the question of whether America "can have it all": economic revitalization and a somewhat less ambitious but still cold war-scale foreign policy at the same time. But the need for a significant shift in national priorities is no longer seriously questioned.

Despite the collapse not only of communism but of hostile totalitarianism itself, no significant burden reduction is taking place. The administration's much ballyhooed defense budget cuts will reduce military spending to 3.4 percent of gross national product (GNP) by fiscal year 1997 (from a peak during the administration of Ronald Reagan of 6.5 percent in fiscal year 1986), yet by historical standards this level is still unprecedented for America in peacetime. In 1938, when President Franklin D. Roosevelt's pre-World War II military buildup was well under way and three powerful fascist enemies loomed on the horizon, the United States was spending only 1.5 percent of its national income on the military. And the proposed cuts seem especially unimpressive when viewed against a \$400-billion federal budget

deficit, sickly levels of private savings and productive investment, and a raft of unmet, pressing domestic needs such as decaying physical infrastructure and skyrocketing health-care costs.

Spending on foreign aid has not been appreciably affected by the end of the cold war. Since the mid-1980s, actual American aid appropriations have remained fairly level in current dollars. More revealing of United States priorities, total foreign aid requests from the White House have declined only from \$15.5 billion to \$14.5 billion during the same period, while the economic aid component has actually increased.

One obvious reason for these continued expenditures is that the fundamental goals and instruments of United States foreign policy have not changed since the end of the cold war. Although the only foe capable of threatening America's survival and global interests is gone, Washington has worked hard to maintain the North Atlantic Treaty Organization alliance, the United States-Japanese bilateral security tie, the Inter-American defense system (lest Cuban President Fidel Castro launch one final all-out assault on the hemisphere?), and its formal and informal defense guarantees to countries such as South Korea, Australia, Pakistan, Israel, and, of course, those in the Persian Gulf. The only two defense relationships terminated by the United States in recent years have been with New Zealand (whose then-socialist government insisted on placing unacceptable conditions on American base rights) and the Philippines (where Manila's bid for exorbitant base rents was ended by the volcanic destruction of Clark Air Force Base and the Philippine legislature's vote to end the American presence at Subic Bay Naval Base).

American officials have judged United States membership in the United Nations, the General Agreement on Tariffs and Trade, the International Monetary Fund, the World Bank, and the regional development banks to be just as critical after the cold war as during it, although levels of financial support fluctuate and domestic political needs constantly force ad hoc departures from free-trade orthodoxy. In sum, United States officials remain as willing as ever to bear the lion's share of the costs and risks of maintaining international security and a robust world economy. The conclusion is inescapable: Something other than the Communist threat and cold war concerns has also shaped post-World War II American foreign policy, and lies behind the reluctance of both Bush and his loyal opposition to change course.

This should come as no surprise to careful observers of American foreign policy. Containment was never its sole *raison d'être*; it was simply the policy needed to neutralize the prime threat to a broader objective. While World War II still raged, American leaders concluded that the most basic features of world politics must change. Returning to the international system that had prevailed since the mid-seventeenth century—of numerous, fully sovereign states struggling without restraint for

power and advantage—was deemed unacceptable. Twice in the twentieth century, this state system had collapsed into global conflagration. The existence of nuclear weapons meant that World War III could be the last.

In Washington's view, power politics had to be eliminated and international relations placed on a fundamentally cooperative footing. State behavior needed to be moderated and regulated by universally accepted norms. And the conditions that had ultimately driven states to clash since time immemorial—tyranny, greed, poverty—had to be wiped out, lest turmoil or aggression in one corner of an unprecedentedly interconnected world spread to all the others. Even before George Kennan outlined the strategy of containment in his landmark "X" article in *Foreign Affairs*, the architects of American foreign policy had agreed that the United States could never achieve lasting peace, security, and prosperity unless the entire planet became peaceful, secure, and prosperous as well. Ironically, these consummate pragmatists from the corporate, legal, and financial worlds believed that utopia was the country's only realistic international goal.

In the meantime, America had to fend off the Communist threat to this vision and prevent the re-emergence of independent European and Japanese foreign policies by furnishing these once-great powers with security and open export markets. Not only the Soviet Union had to be contained, but the allies as well.

Thus there can be no rest for the weary, despite the victory over communism. Third world poverty and its potential for widespread violence persist, while increased flows of migrants and sophisticated weapons make the poor countries' woes increasingly difficult to ignore. The former Soviet Union is now a nuclear-armed mass of hardship and discontent. Perhaps most ominous, the cold war's end and the relative decline of American economic strength threaten to bring back the dangerously unstable multipolar world of the 1930s, unless the United States can keep economic superpowers Japan and Germany on a military and political leash. In many ways the world today is further from the utopian goals than it has been during the entire postwar period.

ACTIVISM REEXAMINED

At the same time, the very hopes placed in the ubiquitous global role of the United States for the past 45 years by virtually the entire American body politic, the very sweep of American foreign policy ambitions, and the determination of presidents since Lyndon B. Johnson to stay the course despite increasingly intolerable domestic consequences point to more fundamental beliefs quietly underlying American foreign policy. As observed by Christopher Layne of the University of California at Los Angeles and the Cato Institute, post-World War II American foreign policymakers have assumed that the key to foreign policy success for a country like the United States is what it *does* on the

world stage—that a great power or superpower is inescapably defined by its activism and worldwide reach.

These assumptions may seem obvious, but for a country approaching international affairs with the combination of strengths and weaknesses that characterize the United States in the early 1990s, they bear closer scrutiny. They may also obscure a better framework for judging Bush's effectiveness, as well as a better alternative international strategy.

The popularity of the activist conception of foreign policy is understandable, even leaving aside the so-called objective conditions (principally the Soviet threat and heightened international interdependence) that were generally linked to America's conversion to internationalism. At the turn of the last century, when Americans began to search seriously for a foreign policy identity, they naturally looked for role models. What they saw, of course, were the European powers, whose foreign policies sent the clear message that forming and breaking alliances, going to war, negotiating peace treaties, and, especially, carving out empires simply were what great countries did. As Senator Henry Cabot Lodge once noted stoically, "A great nation must have great responsibilities. It is one of the penalties of greatness."

Also at work has been the conviction that only Anglo-Saxon countries have the power, temperament, and vision to exercise responsible world leadership—especially after the outbreak of World War II, which ostensibly showed the catastrophic price of American foreign policy passivity. Hence, throughout the cold war and into the age of United States-Soviet "partnership," American leaders and foreign policy analysts have placed great stock in how many soldiers and weapons the United States could send or deploy around the world, how many alliances it leads, how many defense guarantees it provides, how much foreign aid it distributes, how many human rights programs it sponsors, how many conflicts it mediates, how many international institutions it creates or joins, and how much political and economic cooperation it fosters. They would agree with columnist Charles Krauthammer's pronouncement that "A great power is practically defined by its having interests beyond the security of its borders."

The activist model places such faith in the power of foreign policy that it has regularly gone abroad in search of solutions to domestic problems. For example, instead of developing a serious national energy policy, American presidents have fielded the military forces and created the power projection capabilities needed to defend and stabilize the Persian Gulf while spending considerable time and resources trying to broker an Arab-Israeli peace. Rather than considering structural reforms to enhance American economic competitiveness, they tried to open foreign markets by pressuring allies and clients to grant trade concessions and by negotiating multilateral trade agreements. Instead of dealing with the conditions that breed drug abuse at home, they have focused on crop-

substitution aid to third world peasant farmers and military operations against foreign drug lords.

The activist foreign policy model makes the most sense for countries small enough and weak enough to be highly vulnerable to external forces—that is, most countries. After all, activism is a gamble: preventing, evading, or countering external developments or meeting domestic needs by manipulating or influencing the external environment is always chancier than relying on one's own devices. Yet for states that lack overwhelming size, strength, or wealth, that rely heavily on foreign markets or resources, or that live in bad international neighborhoods, there simply is no choice. They need activism as a substitute for power.

The United States, however, approaches international politics with advantages that most other countries do not enjoy. Even at the height of the cold war, America was protected from military threats and most global turmoil by its huge nuclear arsenal and two wide oceans. It still has a vast, affluent internal market, great natural wealth, a world-class technology and industrial base, a youthful, dynamic population, and social, legal, and political institutions capable of promoting innovation and expanding opportunity. Because of these advantages, it has always had better options than an exclusive reliance on activism. Paradoxically, the abundance of power that makes the activist model more feasible also makes it less necessary—and less desirable.

THE PASSIVE GREAT POWER

For countries like the United States, foreign policy success and great power status depend less on what they do than on what they *are*—on their capabilities for achieving their foreign policy goals. In other words, they have the freedom to follow a “passive” model of foreign policy. This model would emphasize maintaining military strength, national economic power, and social and political cohesion and vitality. Its security strategy would be confined to defending national territory and those foreign interests that truly deserve the classification “vital.” Wherever sensible, the passive great power would delink its fate from that of less secure, more volatile regions. It would recognize that superior products are much likelier to gain it healthy shares of world markets over the long run than trade treaty obligations or political arm-twisting. In addition, it would understand that the keys to solving major domestic problems are often found at home.

The passive model is especially well suited to America in the post-cold war world for three principal reasons. First, although the proliferation of shared global problems does indeed increase the need for cooperation among nations, the main question that all governments still face is, “Cooperation on whose terms?” The increasing diversity of the post-cold war world reduces the odds that negotiated solutions to these problems will always be to America's liking. Nor will new global rules

or institutions by themselves do the job. As in any bargaining situation, if the United States wants American preferences to prevail, it must bring material power to the negotiating table. Second, the likelihood of continuing tension and conflict among nations makes strategic and economic freedom of action vitally important to preserve. Augmenting economic strength is the key to enhancing national self-reliance.

The third reason flows from the instability heightened by the cold war's end. A world even less predictable than the cold war world is emerging. As Colin Powell, the chairman of the Joint Chiefs of Staff, remarked after the Gulf war, “I've been chairman for 18 months...and I've had...six opportunities to use the armed forces of the United States and no one had predicted them 18 months and one day ago.” And in a world where events and problems are less predictable, the first and foremost need of countries will be to increase their options in order to plan for the greatest number of contingencies. Strength and wealth will be no guarantee of successfully dealing with unpredictability, but there are no guarantees against the unknown and the unknowable. The only certainty is that strong and wealthy countries will have more and better options than those that are weak and poor.

BUSH'S FOREIGN POLICY RECORD

In its most important respects, Bush's foreign policy has been a case study in the activist model. As during the cold war, the hallmark of his policy has been an emphasis on manipulating established international relationships and developing new ones. The president has made the exercise of American leadership in international organizations and military alliances the cornerstone of his vision of a historically unprecedented, fundamentally benign “new world order.” He has tried to wield American political and military clout within the alliances to which the United States belongs in order to achieve gains on the economic front—especially in trade. He has viewed foreign policy spectacles as substitutes for urgently needed domestic reforms. Indeed, the president has regularly trumpeted foreign policy and world leadership as the country's best hope not only for security and prosperity, but social and spiritual health as well. In the president's words, “[I]f we strive to engage in the world that beckons us, then and only then will America be true to all that is best in us.” As during the cold war, the United States under Bush has pursued a policy of neglect toward the maintenance of American economic strength and economic sovereignty. As a result, both are considerably weaker today than they were four years ago. Consider Bush's approaches toward four leading items on the foreign policy agenda: Soviet-related issues; relations with Western Europe and Japan; oil and the Persian Gulf; and the long-term health of the national economy.

The administration's obsession with relationships is nowhere more evident than in its dealings with the

Soviet Union and whatever it is turning into. The establishment of a working relationship with a contained, chastened Soviet leadership had been a driving ambition of American foreign policy since the onset of the cold war. But the conflicting interests responsible for the East-West rivalry prevented the development of rules that could moderate either country's behavior independent of power realities.

Like its predecessor, the Bush administration interpreted Soviet President Mikhail Gorbachev's revolution in Soviet foreign policy as the first serious movement toward such a relationship. By mid-1990, however, when Gorbachev almost unconditionally acquiesced in German unification, it was clear that the Soviet Union was surrendering to the West, not voluntarily converting to its diplomatic norms. In other words, while the administration focused on Soviet changes that made partnership desirable in the American view, it ignored the changes that also made it unnecessary.

The United States had little reason to deal extensively with an ideologically congenial, terminally ill Soviet Union. Nonetheless, the administration engaged in endless debates about Gorbachev's prospects for survival; wondered whether to side with the center or the republics, thus with Gorbachev or Russian leader Boris Yeltsin; negotiated with Moscow on winding down regional proxy conflicts the Soviet Union was no longer willing or able to wage; tried to drag the Soviet Union back into a Middle East diplomatic goose chase it had plainly tired of; and labored to sell Congress and the public an approach to Soviet economic aid that by its own admission was unaffordable.

Meanwhile, it made no major progress in protecting the United States against the most threatening aspect of the Soviet Union's death—the possibility that nuclear weapons might be used in a Soviet civil war or a renegade strike outside Soviet borders—even though the non-Russian republics have promised to dismantle their arsenals over several years.

The activist model and the mirage of relationship-building have also shaped America's policies toward its major treaty allies—the Western European countries and Japan—and in particular its policies aimed at dealing with the economic tensions among them that the end of the cold war has intensified. Despite meager and steadily diminishing returns (largely because the United States has been reluctant to antagonize valuable cold war allies over mere economic matters), recent American presidents have insisted that serving as the industrialized world's protector was America's best guarantee of keeping those key foreign markets open to American goods and securing allied support for United States international economic positions.

Today, of course, the American security guarantee is much less valuable—witness regular defiance by Germany of United States wishes that it lower interest rates, the European Community's (EC's) stubborn opposition to Washington's proposals for liberalizing world trade in agricultural products, and Japan's growing annoyance with seemingly

endless American “nagging” about Japanese trade practices. Still, faith persists in the efficacy of political and military clout in achieving international economic objectives. In fact, as the president told a New York audience in February 1991, the renewed credibility of the United States after the Gulf war victory would make economic negotiations with Japan and Germany considerably easier.

Regarding Europe—where slow American economic growth, a weak dollar, and improving American product quality have generated a large trade surplus for now—the United States seems intent on forging a “New Atlanticism,” as Secretary of State James Baker 3d called it in a December 1989 speech. The basic idea is to win the United States a seat at the EC table in order to ensure that American interests are not ignored as the continent moves toward a single, integrated market. In addition, Washington is hoping that Germany will remain a decisive liberal, free-trade voice in European councils.

Regarding Japan, Bush has continued the policy of criticizing “unfair” Japanese trade practices, pressing for “open” markets, and negotiating the liberalization of the Japanese economy and Japanese society. The role assigned to American military power in this scheme of things was made clear from the original purpose of the president's latest trip to Asia: reaffirming the value of the fundamentally unequal United States–Japanese alliance in the post-cold war world.

Tightly linked to—in fact largely responsible for—this approach toward the allies and toward trade negotiations is the administration's wariness of domestic reform. Bush's long-favored proposal for a capital gains tax cut seems inadequate even to the president and his advisers. Witness the slew of new, quick-fix economic recovery measures contained in the latest State of the Union message. More ambitious ideas would bring the administration dangerously close to an “industrial policy,” government intervention in the economy to which it is ideologically opposed.

Continued pressure on the allies and market-opening trade agreements are still seen as holding out the promise of enhancing American economic competitiveness while preserving laissez-faire economic doctrine. The president's clear swerve in the direction of managed trade reveals an impatience with the laissez-faire approach. But as made clear by the results of the Japan trip, either many kinks remain to be ironed out in the new approach, or even more basic changes are needed.

Another key element of the administration's policies toward Europe and Japan has been underscored by the Persian Gulf war: American's expectations that a new international collective security structure can be financed through greater burden-sharing by the allies. Yet in this dimension, too, success is highly uncertain. The coalition opposing Iraqi President Saddam Hussein was skillfully assembled and held fast. Many countries contributed either money or forces or both, and all of America's combat costs are likely to be recouped. At the same time, Germany and

Japan, America's economically strongest allies, gave very reluctantly. Their hesitation bespeaks not cowardice, but differences between their interests and America's.

Given the differing geographies, economies, and histories of these countries, these divergences are not surprising. But they will surely undermine future collective security operations, especially if the allies insist on sharing power as well as the financial burden. The administration has understandably tried to define the issue of differing interests out of existence, emphasizing how well collective security worked this time and how many common interests bind the industrialized West. But it has not been confident enough to consider seriously yielding America's traditional leadership prerogatives and dealing with allies as true equals.

The Gulf war also ranks with trade policy as the leading example of Bush's evident determination to solve domestic problems through less reliable and only superficially efficient foreign policies. There can be little doubt now that the war was fought primarily for oil, and the president deserves credit for recognizing the intolerable consequences of Iraqi control of the Gulf's vast reserves. Yet America's need to fight for Gulf oil—or to be greatly concerned about this geographically remote, culturally alien, turbulent region at all—represents a massive and continuing strategic failure.

Contrary to the conventional wisdom, the United States depends on Persian Gulf oil not because Americans are unusually selfish or because the United States political system is gridlocked, but by choice—because of a mistaken strategic calculation. Because the production price of Persian Gulf oil is low, American leaders have viewed this oil as a bargain. Yet this calculation ignores the multibillion-dollar annual costs of the military forces needed to defend the region—first from the Soviet Union and then from local aggressors. It ignores the similar price of winning regional friends with foreign aid. And it ignores the immeasurable costs to the domestic economy of volatile Gulf oil prices and uncertain supplies. These costs push up the real price paid by American taxpayers for Gulf oil by factors of three and four even in peacetime—to levels higher than estimates for many available alternative fuel sources currently dismissed as uneconomical.

As a result, nearly 20 years after the first Middle East oil shocks, America is still heavily reliant on Gulf oil, and measures to reduce this reliance are clearly on the administration's back burner. The administration apparently believes that it is better to continue fighting wars for "cheap" Gulf oil—perhaps next time against nuclear-armed regional aggressors—than to develop domestic alternatives or diversify foreign sources of supply.

A FALTERING ECONOMIC BASE

Finally, Bush's record on maintaining American economic strength, which is the foundation of any successful foreign policy, passive or active, approaches the disastrous. Especially troublesome is the administration's

apparent indifference to the decay of America's wealth-creating capabilities. The high-technology, pharmaceutical, and other advanced sectors of the economy generate the biggest bang for each investment buck in terms of productivity growth, potential for creating high-paying jobs, export growth, the spillover effects of research and development, and other criteria.

The administration's macroeconomic policy has produced the largest peacetime federal budget deficits in American history, surpassing the previous Reagan-era highs both in absolute terms and as a share of GNP. As a result, enormous new pressures have been put on the country's already inadequate savings rate. Moreover, the across-the-board capital gains tax cut on which the administration is fixated will do little to promote productive investment in plant and equipment (as opposed to purchases of fine art and real estate). Consequently, Washington has let four more years pass without enacting the kinds of measures that can boost productivity growth rates that still lag behind world standards in most key industries. These might include targeted tax breaks for economically strategic industries, expanded public spending on high-tech infrastructure, more federal support for developing manufacturing processes, and rigorous performance requirements for foreign direct investment in American industry.

The alarming industrial and technological decline that characterized the Reagan years marks the Bush years as well. Since 1980, the United States has lost global preeminence in semiconductors, semiconductor manufacturing equipment, electronic ceramic packaging, high-resolution displays, most commercialization and production systems (such as flexible manufacturing systems), and many process technologies (such as robotics and precision machinery). America has not gained ground in a single critical technology or product during this period. And in a world of predatory industrial competitors, the president still insists that the "magic of the marketplace" will eventually turn things around.

Without the sound, long-term economic growth that only pace-setting productivity growth and technological innovation can bring, Americans will find it excruciatingly difficult to field a first-class military, generate the financing for their still ambitious foreign policy agenda, or retain decisive control over their economic and ultimately their strategic destiny. This problem has a political dimension as well. Without growth and continually rising living standards, Americans will never be willing to pay the taxes needed to simultaneously close the federal budget gap, fund pressing domestic needs, and support essential foreign policy initiatives.

The challenges and opportunities before America today are so great and so complex that no one person, or even one administration, can reasonably be expected to have all the answers. At this fateful moment in its history, however, this democracy could certainly use more help from its elected leaders in asking the right questions. ■

"[T]wo features stand out in the record of the Bush administration thus far. The first is a degree of caution and pragmatism in policymaking that has precluded disaster but at the same time has not encouraged bold initiatives. The second is a curious incapacity to state what either the president himself or his presidency stands for or to impart a clear sense of direction to American policy."

The Constrained Presidency of George Bush

BY GILLIAN PEELE

By any standard the challenges that have confronted George Bush since his presidential inauguration in January 1989 have been highly unusual. The breakup of the Soviet Union and the collapse of communism in Europe, while clearly signaling a triumph for American values, called for a complete rethinking of the assumptions on which the foreign and strategic policies of the United States and its North Atlantic Treaty Organization (NATO) allies had been based for four decades. In addition to the uncommonly strenuous demands that this has placed on the president's leadership, the period also included a major military conflict in the Persian Gulf in early 1991 that drew heavily on the president's skill in mobilizing domestic and international support.

The extent to which the Bush presidency has risen to meet these challenges cannot be fully assessed yet; it is worth bearing in mind how different the historical verdict on Bush's predecessors has been from that of their contemporary commentators. But two features stand out in the record of the Bush administration thus far. The first is a degree of caution and pragmatism in policymaking that has precluded disaster but at the same time has not encouraged bold initiatives. The second is a curious incapacity to state what either the president himself or his presidency stands for or to impart a clear sense of direction to American policy.

The inability to communicate the administration's intentions and purposes is something more than Bush's failure to match President Ronald Reagan's expertise with the media, although this president certainly has not achieved Reagan's level of personal communication.

(Bush clearly has to be coached by advisers such as Roger Ailes in the more theatrical aspects of presidential addresses; he is, however, more at home than Reagan was with press conferences.)

The failure to articulate policy seems to represent a degree of policy incoherence or fragmentation that has inevitably made communication difficult with the American public and the world at large. Indeed, the White House admission that there was a failure of communication in the early stages of the Gulf crisis shows that the fault operates at a deeper level than the organization of the administration's publicity machine, and perhaps has more to do with coordination within the White House.

The cautious pragmatism of the Bush presidency has perhaps been most evident in the handling of foreign and defense policies. But on domestic issues Bush has also adopted a highly reactive rather than an assertive strategy. He sends out mixed signals about the kind of America he would like to build, veering between a consolidation of Reaganism, with its cuts in social programs and its benefits for business and the affluent, and his own vision of a "kinder, gentler" society. Although this approach was compatible with the political realities of divided government—the control of Congress by the Democrats and the presidency by a Republican—it became increasingly inadequate as the recession and other domestic problems came to dominate the American political agenda.

The fall in the president's ratings in opinion polls beginning in the summer of 1991 indicated American voter dissatisfaction with his performance on the economy. By early 1992, Bush's domestic record seemed to satisfy no one, an especially ominous sign in an election year. The challenge from political commentator Patrick Buchanan, who won more than 30 percent of the vote in the New Hampshire Republican primary in mid-February, is evidence of Bush's failure to retain the support of the Republican right wing. It also shows the

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existence of general opposition to the president because of the economic situation.

Yet against this rather negative picture of the Bush administration one must place some highly positive achievements, although these were largely in the field of arms control and built on the work of the previous administration. And it must be remembered that, although Bush won the presidency decisively in 1988, his mandate to govern was somewhat overshadowed by three legacies that have shaped his handling of his presidency, especially on domestic matters. Two of them—the ideological inheritance of Reaganism and the structural problems of the federal budget deficit—were arguably not of Bush's own making. The third—the legacy of the 1988 presidential campaign—was his responsibility. Bush's campaign against Massachusetts Governor Michael Dukakis revealed the extent to which Bush, so far from being the "wimp" he was sometimes accused of being, was capable of playing the most ruthless politics.

BUSH AND THE CONSERVATIVES

The two terms Reagan served between 1981 and 1989 represented the high point of the Republican right. Although the right did not get everything it wanted from the Reagan administration, the mere election of a president who identified so closely with the conservative movement said much about the change in American public opinion since the 1970s. During that decade a self-conscious conservative movement exerted increasing influence through a range of academics, journalists, policy entrepreneurs (who organized coalitions of like-minded political action committees), think tanks, and pressure groups. Although the movement was diverse, certain common ideas ran through much of its thinking and came to affect the Reagan administration, especially in its early years.

The movement was antigovernment, calling for a reduced role for the federal bureaucracy and a greater role for the free market. Its economic philosophy was founded on a combination of hostility to government spending and taxing and a belief that tax cuts would be self-financing. In foreign policy it was vigorously anti-Communist and insistent on increased defense spending. The new American conservatism also had a distinctive approach to social issues, reflecting both its awareness of the concerns of many newly articulate forces in society—including conservative religious groups—and its populist character. It was thus hostile to busing, affirmative action, and abortion, and favored the death penalty and the reintroduction of prayer in schools.

Bush found it difficult to position himself in this strong ideological tide. Although as an adoptive Texan he could identify with some of the populist sentiments, he was also a quintessential establishment figure—a Yale graduate and the son of a Connecticut senator. He was

a natural government insider, a pragmatist more able to sympathize with Washington's perspective than to urge its abolition.

However, Bush should not be categorized as a "closet liberal" with a clear alternative philosophy to the ideas of the right. The difference between him and the Republican right wing has been one of mood and style rather than ideology. Indeed, a rather rootless pragmatism has been a motif of Bush's career in politics. As a senator, he voted against the Civil Rights Act of 1964 but for the Open Housing Act of 1968. Once he had accepted Reagan's invitation to become the vice presidential candidate, and later as Reagan's vice president, Bush, the supreme pragmatist, had to identify with Reagan.

Bush also knew that if he wished to succeed Reagan he could not antagonize the Republican right, which already regarded him with suspicion. During the 1980s, therefore, he moved to the right on a range of issues, including abortion. At the same time, Bush needed to establish his own character and his own priorities in government, especially given indications that the high-water mark of the new American conservatism had passed by 1988.

All politicians are to some extent chameleons, and perhaps American politicians have to be more chameleon-like than most as they endeavor to appeal to a variety of conflicting interests. The problem for Bush has been not so much his need to send mixed signals to different segments of the Republican party and the electorate during his campaign for the nomination and the presidency, but rather the doubts his behavior has raised about whether there is in fact a real set of values or policies that he wishes to promote. The tactics in a sense had become the substance.

OTHER BAGGAGE

Bush's second inheritance from Reagan was intimately connected with his predecessor's conservative strategy of tax cuts and increased defense expenditures. The United States budget deficit skyrocketed during the eight years of the Reagan presidency; by the end of 1988 almost one-third of the government's annual revenues went toward servicing the federal debt. The implications of the deficit were daunting for Bush. Whatever initiatives he might want to pursue, the shortage of additional revenues would inevitably limit them. Moreover, as president, Bush was likely to be in constant conflict with a Democratic Congress that would have its own spending priorities—oriented toward domestic programs rather than defense—and would urge on the president the politically unpopular course of raising taxes.

The legacy of the 1988 presidential race highlighted and exacerbated Bush's difficulties, embittering his early relations with Congress. Whether by personal preference or as a result of advice from strategists such as his campaign chairman, Lee Atwater, Bush's campaign was generally considered both vicious and vacuous. Its

emphasis on symbolic issues, like the recitation of the Pledge of Allegiance in schools, and its use of racially suspect advertising, such as the Willie Horton ad to depict the Republicans' strong position on crime, seemed cynical when there were real issues to be addressed—not least the budget deficit. Bush won with 54 percent of the popular vote, but the Republicans lost one seat in the Senate and three in the House. Although the difference was not great, the 101st Congress was marginally more Democratic than its predecessor.

Congress's attitude toward Bush at the beginning of his administration was thus by no means friendly. Indeed, legislative-executive relations could have taken the antagonistic path blazed by the 100th Congress of 1987–1988, when a weakened President Reagan faced a Democratic leadership determined to press its own wide-ranging agenda on issues from the budget and civil rights to policy toward Nicaragua. However, the removal of House Speaker Jim Wright (D-Tex.) as a result of a financial scandal, and a change of leadership in the Senate early in Bush's term weakened Congress's capacity to provide an alternative agenda to the president's.

BUSH'S STYLE OF GOVERNMENT

President Bush's style of governing sharply contrasts with his predecessor's. Most notably, he is clearly anxious to be a "hands-on" president rather than one who devolves details to key Cabinet members and staff. His style is also geared more toward pragmatic management than ideological principle.

Beyond the clear commitment to a presidency that is more deeply engaged in the routine tasks of government, the Bush administration has displayed little in the way of an overarching philosophy. Whereas the Reagan administration was given coherence by ideology and the crusading zeal of many of its secondary-level appointees, the Bush administration was formed without guiding principles or even much preparation for the transition. Bush's appointments underscore his preference for working with close friends. This tendency has been particularly marked in foreign policy; James A. Baker 3d, a long-time and close associate, was named secretary of state. The emphasis on expertise in government—evidenced by such appointments as Brent Scowcroft's as national security adviser—reflects the pragmatic element in Bush's character and signals the president's lack of sympathy for hard-line ideological appointments in foreign policy. It also confirms Bush's preference for Washington "insiders" who know their way around the system.

Bush the pragmatist did keep some lines to the Republican right wing open by appointing Jack Kemp secretary of the Department of Housing and Urban Development and New Hampshire Governor John Sununu chief of staff. Sununu was to become one of the major causes of friction in the Bush administration and with Congress. He was replaced as chief of staff in 1991

but his tenure had caused personal embarrassment to the president. The Sununu appointment can in part be explained by a campaign debt to Sununu and by an underestimation of his abrasiveness. But it places a question mark over Bush's judgment.

The early appointments Bush made underlined his capacity to combine a respect for expertise with personal errors of judgment. Apart from Sununu, there was Bush's seemingly maladroit choice of young and undistinguished Indiana Senator Dan Quayle as his running mate and the debilitating controversy over the nomination of former Texas Senator John Tower as secretary of defense, which Bush was forced to withdraw. His sub-Cabinet appointments were also less carefully chosen than might have been expected. The choice of William Lucas to head the Civil Rights Division of the Justice Department, for example, was insensitive; Lucas was rejected by the Senate Judiciary Committee on the grounds that he lacked legal training and had doubtful civil rights credentials.

Perhaps any president, faced with so many appointments to fill, is bound to make mistakes or to allow some errors to slip by. What is peculiar to Bush's case is the spectacular nature of some of the lapses, and how, when the decision was one in which Bush was personally involved (as in the case of Quayle, Sununu, and Tower), political misjudgments were likely to occur.

One final feature of Bush's conception of the presidency became clear early on—that foreign policy rather than domestic policy was likely to absorb the lion's share of his attention. Foreign affairs are inevitably going to appeal more to a president in Bush's situation than domestic matters. Domestically, presidential initiative has been fettered by the federal deficit and by Congress; in the international arena the president has had more autonomy. Moreover, Bush's preceding career as director of Central Intelligence, among other posts, made it probable that foreign affairs would claim much of his energies.

Presidential preference for foreign policy over domestic matters is one thing; whether it is better to cloak it more than Bush did is an open question. His neglect of the home front was to return to haunt the president in his third year in office, when the effects of his foreign policy achievements had been assimilated and the country was demanding action to cope with the recession.

BUSH AND FOREIGN POLICY

Critics of Reagan's ideologically based foreign policy welcomed Bush as a president whose background would enable him to take a more balanced approach to areas of enduring American interest, and this has to some extent proved to be the case. In the treatment of Latin American issues, greater understanding of the problems of the region has replaced the mission to eradicate communism that dominated the Reagan administration. From the perspective of other NATO allies the American

administration may seem in safer hands than under Reagan, although the personal relationship between Reagan and British Prime Minister Margaret Thatcher had been valued by her government. (The British opposition Labour party disliked both Thatcher's and Reagan's styles of diplomacy and apparently thought the United States under Reagan was a greater threat to world peace than the Soviet Union.)

However, Bush's approach to foreign policy has on occasion seemed overly pragmatic, both in the sense of being unprincipled and in the sense of being too willing to allow events to shape the administration's agenda. Bush's handling of policy toward China, for example, occasioned controversy after the Tiananmen Square massacre of June 1989. Humanitarian concerns and protests ran a clear second to Bush's long-term goal of maintaining links with the People's Republic. Whether this reflected a failure of imagination on the part of the president or was a commendable refusal to let short-term shocks deflect American determination to build better relationships with China is open to debate. The important point is the extent to which it demonstrates that not only is Bush's foreign policy different in character from Reagan's ideologically motivated policies, but that it is also skeptical about appeals to moral values and human rights. The style has more in common with the approach to foreign policy under President Richard Nixon and Secretary of State Henry Kissinger than to that under either Presidents Jimmy Carter or Ronald Reagan.

Initially, the Bush administration also did not seem to grasp the magnitude of the changes overtaking Eastern Europe and the Soviet Union, and it played little part in them. Instead of providing leadership, the first months of the Bush administration were devoted to a review of foreign policy that precluded new initiatives.

Although the administration was slow to engage in negotiations with the Soviet Union on arms control, this was probably more the result of an inherent caution in the Bush administrative style than of skepticism about the need for dialogue. Indeed, the administration came to office fully aware that the United States budget deficit (as well as the Soviet Union's economic difficulties) pointed in the direction of détente.

Once the administration accepted the need for negotiations with the Soviet Union, however, solid progress was made across a range of strategic and economic issues, including the Strategic Arms Reduction Treaty (START), which was signed last year. The progress that occurred despite an unpromising beginning owed much to Bush's and Secretary of State Baker's personal diplomatic skills. However, after Soviet President Mikhail Gorbachev lost influence following the August 1991 coup attempt by Communist party hard-liners, the Bush administration again seemed to take time to adjust to the new situation.

The absence of clear long-term policy objectives was

evident from the uncertainty over the extent to which the United States should involve itself in economic support of the countries of Eastern Europe and the former Soviet Union. How far should American aid be extended to these newly democratized countries? In part the answer was affected by the limited amount of money available, but the Bush administration also appeared unclear about American objectives. The indecision seemed even more peculiar when placed alongside a much stronger determination by European members of NATO to promote economic recovery and political stability in the newly reformed Eastern bloc.

The Bush presidency has been explicit about its willingness to use force to achieve its objectives. Yet in neither the invasion of Panama in 1989 nor the Persian Gulf war was it always entirely clear that Bush and his advisers had worked through their military and strategic goals. In Panama (where Operation Just Cause secured the capture of strongman General Manuel Noriega), the deployment of American troops appeared more a short-term, aggressive but cosmetic reaction than a move that would either help stem the drug trade associated with Noriega or improve the long-term prospects for political stability in Panama.

Bush's willingness to engage in military action was tested again in August 1990, when Iraq invaded Kuwait. The diplomatic and military operations against Iraqi President Saddam Hussein brought out the strengths and weaknesses of the Bush presidency. Among the strengths must be numbered a careful attention to international opinion and the highly competent construction of a multinational coalition against Saddam. The military campaign by coalition troops under American command, which forced Iraq out of Kuwait in six weeks, was also conducted with skill and efficiency.

Against this must be set the lack of clarity in identifying American war objectives, and perhaps an earlier diplomatic failure to make clear that the United States would resist aggression by Iraq against its neighbors. As in the 1982 conflict between Britain and Argentina over the Falkland (Malvinas) Islands, the failure to send clear signals about the response to aggression appears to have been an important contributing factor in the Persian Gulf war. And once the glow of victory was over there was much criticism of the real achievements of the exercise. Kuwaiti sovereignty had been restored but the decision not to continue the war until Saddam was deposed meant that the underlying cause of instability in the region remained.

THE DOMESTIC RECORD

Bush initially may have thought he could separate domestic and foreign policy concerns, but he was to learn rather painfully that the ability to act decisively abroad is dependent on the state of the economy at home. Constrained by the budget deficit and by the need to compromise with the Democrats, Bush resorted

to two tactics that naturally suited his style of government and, more cynically, fitted a situation in which federal resources were not available.

One tactic was to highlight crucial issues of concern and to promote what seemed like presidentially inspired initiatives on them; however, whether because of financial constraints or lack of political will, these initiatives often seemed to fizzle out. Thus there was the much heralded presidential address on drugs that featured a bag of cocaine specially acquired for the purpose. There was also the education summit called by the president to focus on the problem of declining standards in the schools and the relationship between educational achievement and America's economic competitiveness. In both cases the government's ability to follow through with adequately funded programs was limited, although some money was made available for an antidrug program. In educational policy, it was always clear that however much publicity the federal government gave the issue, the real effort would have to come from the states.

A second Bush tactic has been to negotiate and compromise with Congress. This has produced some major legislation, including a new Clean Air Act in 1990 and a new Civil Rights Act signed last November, which was designed to remedy the restrictive effects of eight Supreme Court decisions on affirmative action, mostly from 1989.

That Bush was prepared to compromise over legislation undercutting the first fruits of a conservative Supreme Court was itself indicative of the president's instinctive pragmatism. So too was his decision to veto, in the run-up to the 1990 midterm elections, the first version of the latter civil rights bill. (Affirmative action was thought to be unpopular in the South and with Reagan Democrats.) By 1991, however, after much negotiation between the White House and civil rights groups—and internal wrangling in the administration—a bill Bush could sign was produced. Passage did not end the dispute, however, as different interpretations were put on the law and White House Counsel C. Boyden Gray issued a draft policy statement banning the use of racial preferences in federal hiring that seemed to contradict the spirit of the new legislation. (The draft was later disowned by the administration.)

The president's ideological dilemma over taxes was even tougher than the one over civil rights. Bush's campaign commitment to impose "no new taxes" was rescinded, to the fury of the right, as the president lost out to Congress in the 1990 battle over the budget.

However, the concerns of the Republican right have been submerged by a much more widespread unhappiness in the country over Bush's general neglect of the domestic scene and over the impact of the economy's prolonged sluggishness.

IN THE BALANCE

The American presidency is a unique and complex institution. Any assessment of a president must take into account both the personal attributes brought to the job and how well the president used the resources of the office to meet the international and domestic challenges facing the country at the time. It must also attempt to weigh the institutional legacy—whether the presidency was left stronger or weaker by the person who held it.

The personal resources Bush brought to the presidency centered primarily on an openness to negotiation and a commitment to pragmatism. The political and economic situation in which Bush has found himself has limited the scope for initiatives and placed a premium on strategic negotiation and bargaining. Although such a scenario would be frustrating to a president with a different political agenda, there is no evidence that this somewhat constrained presidency has distressed Bush. Indeed, it is one that suits his managerial instincts and talents.

On the issue of whether his presidency has lived up to the opportunity to create a new world order, two observations seem apposite. First, the complexity of the events that have occurred during his administration inevitably have counseled caution rather than creativity. Second, although the leadership and imagination exercised by the United States in international affairs over the last four years has disappointed some, there are solid achievements to record.

Finally, the conduct of the Gulf war emphasized the limitations on both presidential prerogatives and congressional powers in such situations. Under the War Powers Act, Bush had to inform Congress and receive resolutions of support before he could initiate military action. Congress, although it could have used its constitutional powers to preclude such action, would have been politically ill advised to challenge the presidential decision.

Ultimately, the Bush presidency has to be seen in the context of a system that encourages deadlock and in which the responsibilities of the chief executive are too great for any single individual. George Bush's mixed performance as president in the 1990s may deserve applause rather than condemnation. ■

The economic doldrums that are playing a pivotal role in the 1992 presidential campaign are the outgrowth of short-sighted economic policies, argues F. Gerard Adams. The solution is not to fine-tune the economy but to look at the structural factors that have hampered economic growth and pose a threat to long-term economic prosperity.

Removing the Impediments to Economic Recovery

BY F. GERARD ADAMS

The recession does not seem to be fading away. Bankruptcies have shaken airlines, banks, and department stores, and manufacturers may be next. Most critically from a political perspective, the average American has seen his or her living standard erode. Consumer confidence has sagged as some people are finding a middle-class life-style difficult to maintain, and others are unable even to come close to one. Belatedly, President George Bush and his advisers have realized that something needs to be done about the economy.

The recession, which began in 1990, was the first in more than eight years. Before its appearance, the economy had experienced its longest period of uninterrupted growth since statistics have been kept on it. On the surface, that seems quite an accomplishment. But many economists have argued that this growth was achieved by overstimulating the economy through tax cuts, public deficits, and private debt expansion. This had serious implications for the economic slowdown that began to show signs in 1989 and finally became a full-fledged recession in the latter half of 1990.

As can be seen from the chart on page 157, real gross domestic product (GDP) declined during the last quarter of 1990 and the first quarter of 1991, and then resumed a modest recovery path during the remainder of 1991. Industrial production showed a considerably sharper drop, and there were also declines in the service industries, particularly transportation, finance, communications, and retail trade. Unemployment rose from 5.3 percent to 7 percent, totaling some 2 million people. But

the recession resulted in a reduction of the inflation rate from more than 5 percent in 1990 to 3.9 percent at the end of 1991.

Why then has there been so much concern about the recession, which some have described as the worst since the 1930s? While that is an exaggeration, it is apparent that this recession is somewhat different from its predecessors. First, it has had sharp local effects in, for example, New England and New York City. Second, it has affected not only blue-collar workers but also white-collar employees. And last, it has not been followed by the rapid recovery that has characterized other postwar recessions. Republican politicians, in particular, had hoped that the economy would recover quickly and would be in full swing by the time of the November elections. That does not appear likely. On the contrary, there is evidence of a renewed slowdown, a possible "double dip."

This is no ordinary recession, after all. Although it bears some of the earmarks of the usual postwar business cycle—first a slowdown in residential construction, then a temporary drop in fixed business investment—recovery is not simply a matter of rebuilding depleted inventories. The balance sheets of businesses and individuals show more net debt than net assets. The economy's failure to rebound in large part reflects the excesses of the preceding decade of excessive public and private indebtedness. A shakeout was long overdue. Many firms—first in the energy sector, then in commercial real estate, and finally in department stores and some manufacturing companies—have been unable to repay their debts.

The recession has also had far-reaching implications for the nation's financial system, leading to commercial bank and savings and loan failures, and causing financial institutions to limit credit. Interest rates have declined, and the availability of credit for investment purposes remains curtailed. During 1991, the forecasts of a quick recovery were disproved.

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Nevertheless, most forecasters like the WEFA Group, which uses the Wharton Econometric model, are still betting on a recovery later in 1992 (see the table on page 158). Interest rates have come down, inflation has eased, and oil prices have dropped. The dollar exchange rate has declined to more competitive levels. All these factors suggest renewed growth, with GDP growing about 1.5 percent in 1992 and rising roughly 3 percent per year thereafter. But even this modest growth will require the stimulus of at least a temporary tax reduction. And its continuation greatly depends on the economic health of other major countries, including Japan and the European Community members, which are on the verge of a slowdown.

THE "CATCHING-UP" PROCESS

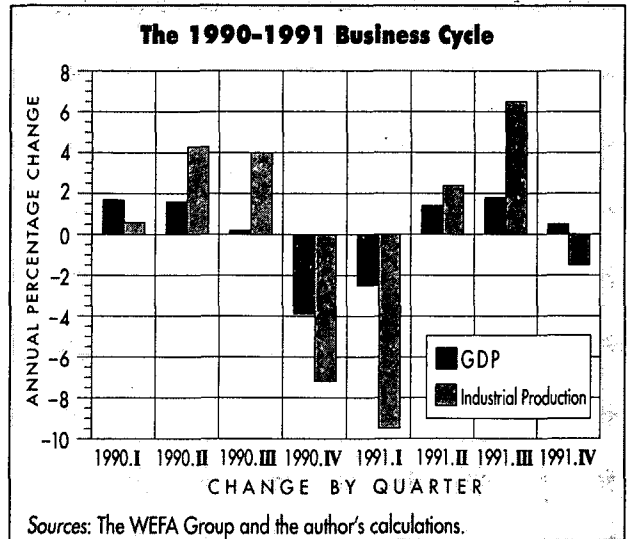
The American economy, however, suffers from a problem that is more serious than a temporary interruption in growth: the rate of growth itself has slowed. Since 1965, GDP in the United States has increased only 2.8 percent annually.¹ Relative to other industrial countries this is a weak performance, but all industrial countries (except the newly industrialized economies of Southeast Asia) have grown more slowly in recent years. Some observers argue that slow growth is associated with maturity and that the current situation is a demonstration of the "catching-up" process. The United States reached the status of a mature postindustrial society first, and others are following in its footsteps.

A different explanation for slowed growth appears when productivity growth is examined. One measure of productivity, output per man-hour, is especially relevant as an indicator of wages and real purchasing power. As the table on page 160 shows, output per worker has been rising only 0.7 percent per year since 1965, which means that there has not been a visible improvement in living standards. As consumer aspirations have exceeded the economy's performance, Americans have become increasingly dissatisfied.

The economy's productive power also depends on inputs of capital. Total factor productivity, which measures improvements in economic efficiency, can be calculated by combining inputs of labor and capital. Here the figures are even more disappointing: TFP has been increasing in the United States less than 0.5 percent per year during this period—much less rapidly than in other countries, especially Japan.

Other dimensions of American economic performance reinforce the image of a troubled economy. The United States has increasingly become a service economy. Services now account for almost 65 percent of GDP, while

¹Since 1965, the United States growth path has been comparatively stable except for business cycle fluctuations. But growth was much more rapid in the previous 20 years, a time of recovery from war and depression. See W. Baumol, S. Blackman, and E. Wolff, *Productivity and American Leadership: The Long View* (Cambridge: Massachusetts Institute of Technology Press, 1989).



manufacturing industry represents only 22 percent. In 1965 the percentages were 59 percent and 28 percent respectively. The predominance of services is not a problem in itself, but achieving productivity gains is much more difficult in the service sector than in the production of tangible goods. The shift from highly paid manufacturing jobs to lower paid service employment has had adverse impact on income distribution, reducing earning opportunities for unskilled and low-skilled workers.

The composition of trade has also changed drastically. The United States has become an exporter of primary products, agricultural goods, and basic commodities. Increasingly, not only are manufactured consumer products imported but capital goods are as well. Regionally, growth has shifted from the industrial Midwest to the South and the West. There have also been problems in the "oil patch" of the Southwest, where it is becoming more difficult to find new oil reserves as petroleum fields are depleted. Moreover, dealing with pollution and waste clean up will increase costs even as economic growth is at a standstill.

THE BUDGET DEFICIT, SAVINGS, AND INVESTMENT

Economists have tried at length to explain the economy's slow growth. Some have related it to high energy costs—but the decline in energy costs in the 1980s did not seem to speed up productivity growth. Others have associated it with high defense spending—perhaps forthcoming reductions in the defense budget will help. And still others have related it to the government's budget deficits, low savings, and high interest rates.

Ultimately, low productivity growth is probably associated with the relatively low rate of investment. Fixed domestic investment has accounted for only 15 percent of GDP in recent years, and grew only 2.59 percent per year from 1985 to 1990. This compares to Japan's investment of 31 percent of GDP and France's and Germany's 21 percent. A lack of investment is particularly serious because of the interaction between investment and technical progress: new machinery and equipment typically

Short-Term Statistics for the United States Economy

	Historical					Forecast		
	1987	1988	1989	1990	1991	1992	1993	1994
GDP (% growth)	3.1	3.9	2.9	1.0	-0.7	1.5	3.1	2.8
Personal Consumption Expenditures (% growth)	2.8	3.6	1.9	1.2	-0.1	1.5	2.9	2.7
Nonresidential Fixed Investment (% growth)	-0.5	6.6	2.2	1.2	-6.4	0.9	5.2	5.7
Residential Investment (% growth)	-0.4	-1.1	-3.8	-8.7	10.3	11.2	6.5	0.7
Exports (% growth)	10.5	15.8	11.3	7.7	6.4	8.0	8.1	6.9
Imports (% growth)	6.5	3.7	3.7	2.2	0.9	8.8	4.8	4.6
Inflation (% per year)	3.6	4.0	4.8	5.3	3.9	4.0	3.2	3.8
Unemployment (% of labor force)	6.2	5.5	5.3	5.5	6.7	7.2	7.1	6.6
Net Exports of Merchandise (in billions of dollars)	-157.0	-126.3	-113.1	-109.2	-78.3	-100.8	-93.6	-86.8
Net Exports of Goods and Services (in billions of dollars)	-143.1	-108.0	-82.6	-74.4	-35.1	-57.2	-49.8	-40.5
Federal Government Deficit (in billions of dollars)	-151.8	-136.6	-124.2	-165.2	-200.0	-254.1	-219.7	-202.8

Sources: The WEFA Group and the author's forecast calculations.

use more advanced production technology, an important factor in promoting productivity.

In the past decade the low level of private savings has been exacerbated by substantial dissaving by the government. Federal government deficits mounted to some \$150 billion during the 1980s and have resisted efforts to reduce them. Indeed, a full accounting, including expenditures on the Persian Gulf war and the cost of bailing out banks and savings and loans, would suggest a much larger deficit than is recorded in the national accounts statistics. The public-sector deficit, estimated at \$254 billion in 1992, which is equal to approximately 5 percent of GDP, more than offsets total personal savings. Fortunately, a significant inflow of foreign capital has taken the place of domestic savings to provide capital resources for the American economy.

Can the large budget and trade deficits and high capital inflows from abroad continue? It is improbable that the United States can continue to borrow its way out of domestic financial irresponsibility, and it is unlikely that such a drain on the rest of the world's savings resources can be tolerated indefinitely. The deficits will gradually be reduced: the trade deficit through a readjustment of the exchange rate and slow economic growth, and the federal budget deficit through improved expenditure control and/or increased taxes. This assessment may seem optimistic, but most long-term forecasts assume

that the economy will partly achieve domestic fiscal and external financial balance.

INTERNATIONAL COMPETITIVENESS

The United States trade balance was at its worst in the mid-1980s when domestic demand was expanding rapidly and the dollar was at its peak. The balance of trade in goods and services went from approximate equilibrium in the 1970s to a deficit of more than \$140 billion in 1987. Since then, the trade deficit has been reduced, and exports of goods and services have grown somewhat more rapidly than imports. This change reflects the depreciation of the dollar's exchange rate as well as slower economic growth in the United States. Nevertheless, substantial concerns remain. Bilateral trade deficits remain high, especially with Japan, and the composition of American trade favors primary commodities and a few specialized goods like aircraft and computers. Even with an undervalued dollar, many American industries no longer produce competitively in the world market, and are unlikely to do so in the near future.

The problems of American industry in the international marketplace represent again as much a catching-up of foreign producers as a falling-behind of American enterprise. The growing competitiveness, first of Japan and then of the Asian "tigers"—Taiwan, South Korea, Singapore, and Hong Kong—is well described by the product life-cycle hypothesis, a classic idea now taking a new form.² This hypothesis suggests that the competitive advantage of advanced countries like the United States is eroded as capital and technology transfers—many of them by multinational corporations—make it possible for countries at earlier stages of economic development to mass-produce goods for the American market. This is a better explanation of the foreign com-

²R. Vernon, "International Investment and International Trade in the Product Cycle," *Quarterly Journal of Economics*, vol. 80 (May 1966), pp. 190–207. The product life-cycle hypothesis says that sales of a new product will rise rapidly after it is introduced, grow to a point of maturity, and then decline as competitive products are introduced.

petition problem of the United States than the frequent emphasis on the inflexibility of American manufacturing enterprises.³

The Asian developing economies began by competing in primary goods, and then quickly turned to textiles and other labor-intensive manufactures. Today they dominate the production of consumer electronics. Japan, the first country to follow this path, supplies the United States with automobiles and digitally controlled machinery, while South Korea, Taiwan, Singapore, and, more recently, Thailand supply televisions, camcorders, personal computers, and computer chips. The corresponding American industries have found it difficult to keep up. As the developing countries attain the capability to compete in high-quality consumer goods, their comparative advantage in these products becomes insurmountable because of low labor costs. (That is also the reason why labor unions are concerned about the entry of Mexico, a low-cost mass producer, into the proposed North American Free Trade Area.)

FINDING SOLUTIONS IN AN ELECTION YEAR

How to respond to the social and economic problems brought by the extended recession has become the central issue of the 1992 political campaign. The result has been not only the traditional disagreement between Democrats and Republicans, but massive splits within the two camps.

The heart of the problem lies in the earlier noted fact that this is not simply an ordinary "inventory recession" like those that characterized earlier interruptions in economic activity since World War II. Economic maturity, fading competitiveness, and a hangover of excessive debt from the 1980s all stand in the way of a rapid turnaround.

Most of the policy remedies recommended to bring the economy out of recession reflect acceptance of the Keynesian demand-based paradigm: that the economy can be lifted out of recession by increasing spending. Fiscal or monetary policies are being advocated to stimulate demand and only incidentally to improve productivity, even though the latter is clearly the economy's fundamental problem.

On the conservative side, discussions on the economy center on how willing the government should be to destabilize the budget further by increasing investment tax credits and reducing the capital gains tax. Some other modest fiscal measures with political impact are also being considered, including a tax credit for first-time homebuyers. Cuts in defense spending might create some leeway—the so-called peace dividend could be used to offset tax cuts or increases in civilian expenditures. But many people have argued against using fiscal

measures that would break the congressional "budget agreement" of the late 1980s.

Liberal Democrats have been pushing for a more traditional demand stimulus: additional income-tax deductions that would give middle- and lower-income consumers additional funds. Others have been promoting increases in public investment spending as a way to stimulate the economy and provide needed improvements in infrastructure.

Implementing fiscal and monetary policy is difficult, since the stimulus may not affect the economy quickly enough and it may operate after it is no longer needed—during the upswing of the business cycle. Fiscal policy calls for congressional decisions on spending or tax cuts that take a fairly long time to put into effect but once in place quickly stimulate economic activity. Monetary policy, however, entails a short "inside" lag (that is, the Federal Reserve Board can determine policy quickly), but a long "outside" lag, in that once money is more abundant and interest rates have been reduced, it takes as long as a year before there is evidence of a stimulus to demand. For this reason, most economists long ago gave up on "fine-tuning" the economy to respond to the lessening of demand on a short-term basis and to keep the economy near a noninflationary growth path.

Unfortunately, the Federal Reserve Board does not seem to have learned that lesson in 1990 and 1991. Board economists read the economic indicators from week to week. The responses of the Federal Open Market Committee to the current data were apparent after each meeting. When employment statistics showed a negative trend, the federal funds interest rate—the rate charged to banks for overnight loans—was tampered with immediately. In late 1991, the Federal Reserve Board sharply reduced interest rates to prevent threatened fiscal action by Congress. This was not an effective way to handle policy. The easing of interest rates came too late; the stimulus was administered after the economy was already mired in recession. Alan Greenspan, the Federal Reserve Board chairman, admitted to having erred in his appraisal of the economy six months earlier. Policy management requires a continuous forward look, and the Board evidently did not trust its own forecasts.

Timing considerations aside, it is difficult to resolve disputes over monetary and fiscal policy. The advantage of a monetary policy stimulus is that it does not have negative budgetary implications, but when businessmen are pessimistic and have large unused production capacity, they hesitate to invest even if interest rates are favorable. Moreover, banks may be unwilling to extend credit to any but the most secure borrowers. Thus a monetary policy stimulus may not have much real economic impact during a recession.

A demand-side expenditure or tax-cut stimulus would at least provide some needed temporary lift: \$30 billion of spending would, through the multiplier effect, translate into \$50 billion of additional GDP, an improve-

³Michael L. Dertouzos, Richard K. Lester, and Robert M. Solow, *Made in America* (New York: HarperCollins, 1990).

Long-Term Trends in the United States Economy

(Average annual changes)

	1965-70	1970-75	1975-80	1980-85	1985-90	1965-1990
GNP, nominal (in billions of dollars)	7.57%	9.50%	11.32%	8.00%	6.36%	8.54%
GNP, real (in billions of 1982 dollars)	2.97%	2.21%	3.41%	2.57%	2.81%	2.79%
Consumer spending, real (in billions of 1982 dollars)	3.83%	2.79%	3.16%	3.32%	2.63%	3.15%
Fixed Business Investment (in billions of 1982 dollars)	3.01%	1.27%	6.16%	3.64%	2.59%	3.32%
Exports of Goods and Services (in billions of 1982 dollars)	6.20%	7.81%	8.41%	-1.14%	11.45%	6.46%
Imports of Goods and Services (in billions of 1982 dollars)	9.11%	2.94%	6.63%	7.26%	7.13%	6.60%
Disposable Personal Income, real (in billions of 1982 dollars)	4.08%	2.98%	2.77%	2.81%	2.62%	3.05%
Federal Government Expenditures (in billions of dollars)	10.65%	11.88%	11.05%	9.36%	5.42%	9.65%
Federal Government Receipts (in billions of dollars)	9.21%	8.58%	13.43%	7.00%	7.11%	9.04%
Consumer Price Index (1982=1)	4.24%	6.75%	8.89%	5.51%	4.10%	5.88%
Employment	2.05%	1.74%	2.97%	1.52%	1.94%	2.04%
Labor Productivity	0.89%	0.46%	0.42%	1.03%	0.86%	0.73%
Total Factor Productivity	0.77%	-0.14%	0.27%	0.88%	0.53%	0.46%

ment of about 1 percent. But it would have an adverse impact on the budget. An increase in expenditures calls for an increase in taxes in order to keep the budget under control. But if the spending increase is fully offset by tax hikes or spending cuts, it would have little effect on demand, since it would simply shift funds from one category to another. Almost inevitably, an effective expenditure stimulus produces budget deficits.

The solution may lie in a longer term perspective that assures a solid tax base to offset planned spending over a few years but also calls for short-term deficit spending or a tax-cut stimulus to end the recession.

THE INDUSTRIAL POLICY DEBATE

Macroeconomic policies to cure the recession still leave at issue the need to improve the country's industrial structure and its international competitiveness. These were the subject of heated discussion in the United States in the late 1970s, especially in the industrial policy debate of the last year of the administration of President Jimmy Carter. Industrial policy advocates urged a selective industrial policy along the lines of programs in France and Japan. The idea was to identify the "sunrise" industries—usually high-technology sectors—and give them special assistance in order to speed up technological advance and the commercialization of new technologies. Government assistance would also help phase out declining, or "sunset," industries.

In keeping with the opinion of most American economists that government is not a good vehicle for making industrial choices, the Carter administration decided against industry-specific policies in favor of general investment incentives. Since then, the beliefs of conservatives opposed to any industrial policy—"the best

industrial policy is no industrial policy"—have prevailed. They argue that reduced government intervention, deregulation, and free trade will allow American industry maximum flexibility and will force it to adapt most efficiently and quickly to the requirements of the marketplace.

Economic views have turned largely noninterventionist in recent years, and it is unlikely that either a Democratic or a Republican administration would seriously support industry-specific intervention. But American industry's continued failure to adapt may lead to a reconsideration of more general policies focused on improved infrastructure, industrial research and development, and education.

TRADE POLICY

The debate over government intervention in the domestic economy may have been stilled, but increased attention to the international dimensions of industrial competition has led to renewed calls for a greater government role in trade policy. The issue can be framed narrowly: What should be the United States response to foreign support and preferences for their home industries? To put it more generally, should the United States redress its trade competitiveness problems through broadly comprehensive protectionism?

The Bush administration has fought hard for "fair trade" and the idea of "a level playing field," opposing the subsidization of exports to the United States market and promoting the freedom of American firms to sell and establish companies in foreign markets. United States Trade Representative Carla Hills has received much press notice—frequently more abroad than at home—regarding her negotiations with Japan on the

importation of rice and on the establishment of Toys R Us stores, South Korea on cigarettes, Thailand on intellectual property rights, and so on. But even though the president is empowered by the Structural Impediments Initiative to respond with broad trade restrictions, protectionist measures have been imposed in relatively few and mostly politically visible cases.* These cases involved voluntary restraint agreements in which the United States has negotiated with countries to "voluntarily" limit exports on goods such as computer chips, cement from Mexico and Japan, and, more recently, minivans and liquid crystal display computer screens.

Bush's January 1992 trip to Japan with a platoon of American business leaders leaves no doubt about the administration's seriousness on the subject of foreign competition. Nevertheless, the president has opposed broad protectionist barriers, even on a temporary basis. He has the support of most American economists from both parties on this point. In the absence of an economic catastrophe it is not likely that a Republican administration would support comprehensive import duties.

Protectionist sentiment, however, has been increasing in the United States for the first time in years, and many presidential candidates in this election year are advancing protectionist views. If the recession deepens and the trade deficit continues to grow, American leaders may promote protectionist policies. But this path is undesirable not only because protectionism skews the terms of competition, but because it would undoubtedly invite retaliation.

TOWARD A NEW POLICY PERSPECTIVE

Several lessons can be learned from the experience of the United States and that of its foreign trade partners:

- The management of fiscal and monetary policies must be forward-looking and must recognize both short- and long-term conditions. Policies must take into consideration immediate political after-effects and the fundamentals of balanced growth. This lesson is apparent from the effect of the over-extension of credit markets during the 1980s. It does not pay to "fine-tune" the economy; nor does it pay to overemphasize short-term political issues.
- Economic stabilization, with an emphasis on a high-employment growth path, is an important goal that must be reconciled with other economic objectives such as price stability, balance of pay-

ments equilibrium, and a reasonably fair income distribution.

- Investment and technological change must continue at a rapid pace to maintain productivity growth and the competitiveness of the American economy.
- Supply- and demand-side considerations are interrelated. An economy in recession is also an economy with little investment and little productivity improvement.
- The need to increase savings and reduce the budget deficit should not be ignored, especially when so much of the nation's savings is absorbed by the deficit.
- Maintaining international competitiveness is vital. This is largely a matter of keeping product quality and specifications at the technological frontier. The world economy has become increasingly interdependent, which may limit the ability of the United States to carry out independent domestic economic policies, and which calls for increased international policy cooperation.

These points underlie the mixture of policies required to maintain American growth and leadership into the twenty-first century. Monetary and fiscal policy should focus on stabilizing the business cycle. But the deficit must also be addressed, and monetary policy cannot do the job alone.

What will be required are additional sources of tax revenue. But where can they be found? A higher income tax is not suitable. The American public is satisfied with lower marginal tax rates resulting from the cuts of the 1980s. One possibility is a value-added tax like those imposed in many other countries. Another possible revenue source is a tax on energy or imported oil (oil from Canada and Mexico, which will ultimately be part of the North American Free Trade Agreement, would be exempted). Financing would come over time, perhaps with an oil import tax at \$5 per barrel in 1992, rising gradually to \$20 per barrel by 1995. The result would be an eventual revenue flow of \$40 billion a year that could then be redirected into productive expenditures like infrastructure, education, and investment incentives.

The increase in spending would provide a temporary stimulus to the economy, but the ultimate benefit would be long lasting, since it could help spur more general policies of investment and research that would help promote productivity growth and maintain United States international competitiveness in a free-trade environment. Only by stimulating investment and technological change will the long-run prospects for the American economy be assured. ■

*Editor's note: The Structural Impediments Initiative is intended to identify Japan's structural barriers to imports; the Japanese have argued that the initiative's scope should include structural problems in the United States that have led to trade imbalances.

"Trade policy is far less important to competitiveness than other issues that the United States needs desperately to address. Mismanagement of macroeconomic policy in the early 1980s severely impaired American competitiveness in the short run by leading to an overvalued dollar, which priced United States exports out of international markets, allowed foreign exporters to underprice American producers in their home market, and resulted in huge trade deficits."

United States Trade Policy after the Cold War

BY KIMBERLY ANN ELLIOTT

What a difference a couple of decades can make. No Japanese prime minister has been called "a transistor salesman" by another foreign leader in many years. But this January, many Japanese newspapers—though not Prime Minister Kiichi Miyazawa—referred to United States President George Bush as a "car salesman" after he arrived in Tokyo with the heads of the "Big Three" American automakers and other American corporate executives seeking trade concessions. It is unlikely that the Japanese press and public would have been so vocal in their criticism of Bush's trip if they had still been dependent on the United States nuclear umbrella to protect them from an external threat like the one they had faced from the Soviet Union for more than 40 years. The tone of Bush's trip, as well as the Japanese reaction to it, illustrate the relative decline in American competitiveness and the new international economic policy challenges for the United States in the post-cold war era.

The end of the cold war presents the United States with opportunities and dangers as it develops a trade and competitiveness strategy for the rest of the decade. It raises the possibility of a "peace dividend" for the United States economy that might be used to improve American competitiveness. It also offers the prospect of substantial new markets once the economies of East-Central Europe and the Commonwealth of Independent States are stabilized.

The end of the Soviet threat, however, weakens the

glue that previously held together the members of the Western alliance (defined to include Japan). Without that overriding security concern, trade disputes and other disagreements over economic policy could become more antagonistic and disruptive. For example, the European Community (EC) might have been more forthcoming in the international trade negotiations over agricultural supports (and perhaps the United States less demanding) if its leaders had feared that a breakdown in the talks could lead to a deeper rupture in trans-Atlantic relations that would compromise their national security.

The current dispute between the United States and the Community over agricultural trade could precipitate the collapse of the Uruguay Round of multilateral trade negotiations, which are being held under the auspices of the General Agreement on Tariffs and Trade. This would in turn seriously weaken GATT, which provides the framework of rules and principles governing most international trade. Conclusion of at least a modest agreement in the Uruguay Round remains at the top of the United States trade agenda, not only because of the relatively modest economic benefits that would result, but because of the important role GATT could play in containing and defusing trade disputes. Serious erosion of the system would be particularly unfortunate at a time when a new foreign policy and security environment substantially increases the importance of multilateral cooperation and the strengthening of international institutions that promote it.

The United States is also currently involved in negotiations with Mexico and Canada to create a North American Free Trade Area (NAFTA); even if these negotiations are concluded relatively quickly, the result is unlikely to be submitted to Congress for ratification until after the presidential election this November. The usually sensitive political economy issues involved in

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trade negotiations are compounded in this case by the differing levels of development in the United States and Canada on the one hand, and Mexico on the other. This has raised additional questions regarding Mexico's standards on the environment, labor, and other issues that affect trade flows. The United States relationship with Japan is also under considerable strain as a result of the stubborn bilateral trade imbalance, and several proposals addressing this are pending in Congress this year.

Finally, there are many policy areas that raise security and trade issues and in which multilateral cooperation is necessary to address security concerns effectively and to avoid damage to any one country's competitive position. Revelations about Iraqi President Saddam Hussein's nuclear weapons program, for example, raise dilemmas for policymakers trying to reconcile competitiveness with export controls on strategic goods as countries tackle emerging security concerns in the "new world order."

STRATEGY SHIFTS IN THE 1980s

Trade policy is typically conducted on several levels simultaneously—multilateral, bilateral, and unilateral. Since the end of World War II, United States trade strategy has emphasized multilateral efforts through GATT to liberalize trade barriers and to contain and settle trade disputes. Although the United States was the prime initiator of the current Uruguay Round of trade talks, its own trade policy became noticeably more aggressive and unilateral in the latter half of the 1980s. This shift resulted from disillusionment with GATT, the reluctance of many United States trade partners to take steps to strengthen GATT discipline, and political pressures in the United States arising from the effects of global macroeconomic imbalances.

GATT's success led in part to this disillusionment. The organization's rules generally prohibit the use of quantitative restrictions, with limited exceptions for agriculture, textiles, and apparel, and tariffs have largely been eliminated as a significant trade barrier as a result of six earlier negotiating "rounds." Significant reductions in these traditional, highly visible barriers revealed, and in some cases promoted, a variety of other nontariff government policies that distort trade.

The Tokyo Round of multilateral trade negotiations, which lasted from 1975 through 1979, was the first to focus on nontariff barriers, including subsidies and countervailing duties, antidumping duties, technical standards, and government procurement, but it made only a dent in them. Still, the United States wanted GATT to go even further in extending GATT discipline, not only bringing in previously excluded sensitive sectors—agriculture, textiles, and apparel—but also extending its rules to new areas—services, "trade-related" investment measures, and intellectual property.

The administration of United States President Ronald Reagan originally proposed an ambitious new round of

trade negotiations to address these issues at a 1982 ministerial meeting of GATT members. Frustrated by the refusal of both developed and developing country members to embrace this agenda, United States Trade Representative William Brock threatened to "go bilateral." The United States signed a bilateral free-trade agreement with Israel in 1985 and with Canada in 1988. It opened negotiations with Canada and Mexico to create NAFTA last year—primarily because of pressure from Mexico, but also to keep the fire going under the lagging multilateral round. The administration's failure to rejuvenate the multilateral system added to private-sector disillusionment with GATT because of its lengthy and often indecisive dispute-settlement process.

The trade policy difficulties posed by the faltering international system were compounded by the ill-conceived macroeconomic policies of the first Reagan administration. From 1981 through mid-1985, Reagan and his economic policy advisers largely ignored the international consequences of their domestic economic policies. Their combination of loose fiscal and tight monetary policies drove up interest rates, which—combined with tax and regulatory policy changes—attracted foreign capital to the United States market. While this capital flow ameliorated the interest rate effects of the burgeoning budget deficits, it devastated American competitiveness by driving up the value of the dollar, leading to huge trade deficits.

An increasing number of American businessmen, as well as members of Congress, also came to view GATT as not only weak but increasingly irrelevant to their concerns. As the overvalued dollar battered United States manufacturers, nontraditional export sectors like services and high technology incorporating intellectual property, which are not covered by GATT rules, gained prominence on the United States trade agenda. The rapidly expanding trade deficits also buttressed perceptions in Congress and other quarters that the American market was more open than those of United States trade partners and that the "playing field" was not level. Although even the most aggressive members of Congress usually recognized the overwhelming importance of macroeconomic factors in creating the deficits, frustration over the fiscal policy deadlock turned many of them to the politically less painful alternative of trade policy. By the summer of 1985, there were reportedly some 300 trade bills pending in Congress.

The administration finally responded in September 1985, agreeing with allies in the Group of Seven (Canada, France, Germany, Italy, the United Kingdom, and Japan) to coordinate monetary policy and intervene in foreign-exchange markets to bring the value of the dollar down. It also adopted a stronger export-oriented trade policy to head off the protectionist pressures building in Congress. Reagan tried to deflect attention from the import side of the trade balance, which tends to foster protectionist proposals, by focusing on the export

side. Section 301 of the Trade Act of 1974 gives the president authority to investigate foreign trade practices that allegedly violate international agreements or are otherwise "unreasonable" or discriminatory, and to retaliate against such practices. For the first time since the act had been adopted, Reagan ordered the United States trade representative to "self-initiate" an investigation under Section 301 into various alleged "unfair" foreign trade practices, without waiting for a private-sector petition. The proportion of cases that were either self-initiated or in which the administration explicitly threatened to retaliate or imposed retaliatory duties increased from less than one-fourth of all investigations through 1984 to three-fourths of all cases from 1985 through mid-1991.

Most of the bilateral and unilateral initiatives adopted by the Reagan and Bush administrations since 1985 have been aimed primarily at supporting the multilateral system. In addition to pressuring United States trade partners to initiate the Uruguay Round, to expand the round's agenda beyond traditional topics, and then to complete it, these other trade initiatives were necessary to maintain domestic political support for liberal trade policies and the international system. The negotiations with Israel, Canada, and Mexico also had political value—they cemented relationships with strategic allies and important neighbors. The economic significance of these agreements for the United States has been minor. If the Uruguay Round is not completed, however, or if the outcome has little impact, reliance on unilateral and bilateral initiatives may come to be seen as viable alternatives, rather than complements, to the multilateral system.

THE UNITED STATES TRADE AGENDA IN THE 1990s

The Uruguay Round was initiated in Punta del Este, Uruguay, in September 1986. It was originally scheduled to conclude at the end of 1990, but instead has dribbled into 1992. The Bush administration may further delay these negotiations if the Democratic candidate for president seems hawkish on trade.

There are several possible outcomes for the Uruguay Round, including complete collapse; conclusion of a small, relatively uncontroversial reform package; and extension of the negotiations past the November elections, which might increase the chances that the political will can be summoned both inside and outside the United States to make the tough decisions necessary to extend and strengthen GATT discipline. GATT has been the favored forum for trade negotiations in the postwar era because multilateral talks typically provide more "bang for the buck" than less comprehensive negotiat-

ing efforts. Multilateral negotiations are a more efficient use of negotiating resources for two reasons: they increase the number of countries trading concessions, which maximizes the opportunities for trade creation and minimizes the chances that an agreement will result in trade diversion (from countries that are not part of the negotiations); and they increase the number of sectors across which compromises may be made.

A recent effort to estimate the likely economic effects of two Uruguay Round outcomes—one assuming a comprehensive agreement and the other a more modest "face-saving" agreement—concluded that an agreement could generate benefits valued between 0.7 and 1.5 percent of global gross domestic product.¹ Most of the difference between the two estimates follows from the assumption that trade in services would not be liberalized in a modest agreement; liberalization of both the Multi-Fibre Arrangement, which governs trade in textiles and apparel, and agricultural policies is assumed to be about half what it would be with a comprehensive agreement. The results predicted that all regions of the world would gain on a net basis, regardless of whether the outcome is comprehensive or modest. The gains for the United States were estimated to be between 0.8 and 1.7 percent of its GDP. Thus this model suggests that even a modest, "face-saving" agreement would benefit the global economy. Moreover, those modest predicted gains are many times larger than the total anticipated gains in all Section 301 investigations. In fact, the total value of exports to targeted countries in sectors that have sought relief under Section 301 over the past 16 years is probably no more than about half that of the estimated gains from a modest Uruguay Round outcome.

The major barrier to concluding the trade talks is the inability of the United States (backed by several other major agricultural exporters) and the EC to come to a compromise on agricultural supports. The United States has been battling the EC's Common Agricultural Policy for years with little success. One-fourth of the Section 301 investigations conducted since 1975 have targeted EC agricultural policies. Although EC supports for agriculture have increased virtually without pause, American efforts may have contributed to the current pressure for CAP reform by increasing the budgetary costs borne by the Community. By consistently challenging in GATT the EC efforts to supplement the variable import levy (designed to offset the difference between world and Community prices) with various other border measures, the United States forced the EC to rely primarily on direct subsidies to producers. In the Food Security Act of 1985 Congress and the administration raised the budgetary costs to the Community by adopting their own competing export subsidies under the Export Enhancement Program.

Although the costs of its agricultural policy have increased EC interest in agricultural reform, the Community still wants the United States and other exporters

¹See Trien T. Nguyen, Carlo Perroni, and Randall Wigle, "The Value of a Uruguay Round Success," *The World Economy*, vol. 14, no. 4 (December 1991), p. 359.

to share the costs of the adjustment. The EC has demanded that "rebalancing" be part of the agricultural agreement. As a quid pro quo for reducing export subsidies, which primarily affect wheat and other grains, the Community would be permitted to reduce its imports of oilseeds and other animal feeds by raising the tariff on those products from the zero level that had been negotiated in a previous round. Thus far, the United States and other exporters interested in agricultural reform have refused to accept the proposed compromise.

Ironically, while past American failures to force changes in EC agricultural policy unilaterally may have stiffened the resolve of United States negotiators in the multilateral trade negotiations, the relatively successful use of unilateral pressure under Section 301 appears to have weakened support in some portions of the private sector for other parts of the agreement. In recent years the American pharmaceutical and film industries have used Section 301 to push for intellectual property protection and have lobbied heavily for the issue's inclusion on the Uruguay Round agenda. They have decided, however, that the agreement as drafted does not serve their interests as well as Section 301 has, mostly because it includes a 10-year phase-in of obligations for developing countries (even longer for the least-developed countries).

Other domestic participants have opposed acceptance of the proposed dispute-settlement procedures, arguing that the agreement as drafted would preclude the use of unilateral pressure to defend United States interests. The proposed reforms were designed to address many weaknesses in the GATT dispute-settlement process that have been cited by American businesspeople and policymakers as making the aggressive use of Section 301 necessary. If the new procedures work as hoped, they should make unilateral threats and retaliation largely unnecessary, at least in areas covered by GATT rules.

Neglecting the GATT dispute-settlement process is also unwise tactically. Recent research on Section 301 suggests that use of GATT procedures contributes to effective negotiating leverage.² Section 301 requires a unilateral finding by the administration of "unfairness" on the part of a trade partner and unilateral action to remedy the problem if "negotiations" do not succeed in resolving the issue. However, negotiations in this context are far more likely to appear to be a zero-sum game from the perspective of the target country. Involving GATT provides political cover for the target country government by giving it an excuse for changing a policy

without appearing to succumb to United States pressure. GATT support in a case also enhances negotiating leverage, since no country wants to be seen as flagrantly violating an agreement to which it has committed itself.

Overall, a modest agreement seems the most that can be hoped for and even that may not be feasible until the end of this year, depending on the tenor of the presidential campaign. For a variety of reasons, the United States has backed off from its earlier demand that GATT rules be extended to trade in services; industry opposition does not bode well for the intellectual property proposals. Only modest liberalization of the "old" issues of agriculture, textiles, and apparel seems likely at this point. Because it can probably be done without rewriting Section 301, strengthening GATT dispute-settlement procedures may be possible and could be important in containing the trade disputes that seem certain to proliferate if the outcome of the round is meager.

Some observers have concluded that GATT is dead and that the world should move toward—and in fact already is moving toward—regional trade blocs. The deepening and expansion of the EC; the North American Free Trade Agreement, purportedly to be followed by negotiations with Central and South America as part of the Enterprise for the Americas initiative; and a less well-defined Japanese-led bloc in East Asia are all cited as examples. If the Uruguay Round collapses over agricultural issues, a more likely outcome might be an inward-looking Europe and a two-bloc world: an enlarged EC and everyone else.

To date, however, the free-trade agreements the United States has negotiated have been far more important politically than economically. Even the most optimistic estimates of the potential export gains from the conclusion of NAFTA are well under one-half of one percent of GDP. Nor do free-trade agreements avoid the problems of negotiating politically sensitive issues. Early conclusion of a NAFTA draft was held up early in the year by four perennials: agriculture, textiles, apparel, and automobiles.

DEALING WITH JAPAN

No matter what else happens, Japan will continue to be at or near the top of the United States trade agenda. While the United States merchandise trade balance with the EC shifted from a deficit of nearly \$25 billion in 1987 to a surplus of nearly \$20 billion last year, the trade deficit with Japan has remained stuck at more than \$40 billion (though that is down from a peak level of \$60 billion in 1987). About 75 percent of the deficit is accounted for by automobiles and auto parts imports, which in turn accounts for the explosion of trade bills in Congress addressing that sector and the prominence of the issue on Bush's January trip to Japan.

In addition to the usual election-year shenanigans, recent trends in United States–Japan trade relations are worrisome because they suggest a much warmer

²See Thomas O. Bayard and Kimberly Ann Elliott, "Evidence from Section 301 on the Utility of 'Aggressive Unilateralism' as a Trade Policy Tool" (Paper prepared for the National Bureau of Economic Research Conference on the Political Economy of Market Access Negotiations, Cambridge, Massachusetts, February 1992).

embrace of "managed" trade than in the past. Through vigorous use of GATT and Section 301 procedures, the United States has succeeded in convincing the Japanese to liberalize significantly several highly visible, highly protective trade barriers. In addition, the value of the Japanese yen relative to the dollar has nearly doubled since 1985. American manufactured exports to Japan have risen rapidly in recent years, especially in sectors that have been the subject of trade liberalization negotiations, but the United States trade balance with Japan remains deeply in deficit and the perception continues to grow that Japanese trade barriers are an important cause.³

With few remaining import quotas—Japan's ban on rice imports is a prominent exception—and an average tariff no higher than that of the United States, the target of market access negotiations has shifted to private and administrative practices that purportedly discourage the purchase of imported products. These include the distribution system and the *keiretsu* pattern of industrial organization, which the Japanese argue improves efficiency but which outsiders argue prevents entry. Because of the nebulous nature of these alleged barriers, there has been increasing pressure to focus on "results," measured by market shares, as a negotiating objective. So-called "voluntary" import expansions have now been tried in two cases: semiconductors since 1986, and automobiles and auto parts beginning early this year.

If one accepts the argument that "Japan is different" and believes that it will never change, then a managed trade policy for Japan might be warranted. If one believes, however, that Japan has a market economy that behaves like other market economies or that Japanese society is changing, then adopting a policy that relies on and reinforces government intervention in the economy and cooperation among large, vertically integrated firms seems short-sighted and unwise. Even in the former case, voluntary import expansions, voluntary export restraints, and other managed trade policy tools tend to be anticompetitive and costly to consumers; they would be appropriate only as a last resort.

Other policy areas are not on the trade agenda per se but have important links to international economic policy. Controlling the proliferation of chemical, biological, and nuclear weapons—and the technology to produce them—has been an international concern for years but acquired new urgency after the Persian Gulf war in early

1991. At the same time, the end of the cold war intensified pressure from high-technology firms to relax export control laws, which they argue place them at a competitive disadvantage relative to competitors from countries with far less stringent controls.

The war against Iraq suggests that elimination or even overly enthusiastic loosening of controls on sales of weapons and dual-use technologies is not a rational answer. Such policies must be coordinated multilaterally not only to avoid unfair competitive disadvantages to some countries, but also to make these policies effective. The West's Coordinating Committee for Multilateral Export Controls (CoCom) worked relatively well in denying the most critical security-related technologies to the Soviet Union. The United States and its allies now need to apply the lessons of that experience in forging a cooperative framework to prevent the proliferation of weapons of mass destruction or the technologies to develop them.

With the end of the cold war the United States must also decide how large a defense industrial base it needs to preserve domestically, to what extent the military feels comfortable relying on imported defense components, and what role foreign direct investment and technology transfer will be allowed—or required—to play.⁴ Questions regarding international arms sales and the effects on defense industrial policy versus international stability and peace will have to be addressed as well. For example, a proposal under which the government would have provided export financing for commercial arms sales was largely discredited after the Gulf war. Like the pressure for relaxation of export controls, this proposal was based on the argument that it was necessary to maintain American suppliers' competitive position relative to firms in other countries whose governments provided export financing. An international accord governing arms sales and their financing would be a preferable course.

RESTORING AMERICAN COMPETITIVENESS

Although it is one factor, directly improving United States competitiveness is not the major reason for pursuing most of the initiatives that have been described here. As noted, some trade-limiting policies may be required for national security reasons even though they do not maximize American competitiveness. Trade affects America's ability to compete in international markets in two ways. First, keeping the United States market open to imports increases competition, which keeps the pressure on United States firms to innovate and to become more productive in order to stay in business. Selling abroad allows firms to expand and, if they are in a sector subject to increasing returns to scale, to become more efficient and even more competitive. Thus the main contribution of trade policy to competitiveness is in keeping markets as open as possible, both inside and outside the United States. Trade negotiations may also

³See Peter L. Gold and Dick K. Nanto, "Japan-U.S. Trade: U.S. Exports of Negotiated Products, 1985–1990" (Washington, D.C.: Library of Congress, Congressional Research Service, November 1990).

⁴For a discussion of foreign direct investment issues linked to national security concerns, see Edward M. Graham and Paul R. Krugman, *Foreign Direct Investment in the United States*, 2d ed. (Washington, D.C.: Institute for International Economics, 1991), chapter 5.

affect the competitiveness of particular sectors, but they are not likely to have a significant quantifiable impact on United States competitiveness generally.

Trade policy is far less important to competitiveness than other issues that the United States needs desperately to address. Mismanagement of macroeconomic policy in the early 1980s severely impaired American competitiveness in the short run by leading to an overvalued dollar, which priced United States exports out of international markets, allowed foreign exporters to underprice American producers in their home market, and resulted in huge trade deficits. The legacy of those policies has been an increase in indebtedness—for individuals, businesses, and the government—that has hampered recovery from the recession that began in 1990. While reducing government debt is one necessary component of a sound competitiveness policy (once the recession has ended), it should not be given such overwhelming priority that it prevents the adoption of microeconomic policies that are also crucial to rebuilding American competitiveness. Two of the most important are improving the educational system, including

retraining and adult education programs, and repairing the crumbling public infrastructure—roads, bridges, airports, and maritime ports. Tax policy is also important, both in terms of how it treats profits earned abroad and those earned in the United States by foreign investors, and in the incentives (or disincentives) it provides for savings and investment. Some shifting of government support from defense-oriented to civilian research and development, including commercialization of emerging technologies, is another area in which the end of the cold war could contribute to improved American competitiveness.

Policies like these, which directly support or encourage the efficient production of high-quality products, will have a far greater impact on American competitiveness than trade policy. However, a sound trade policy is an important component of a fully developed competitiveness policy. It is crucial to maintaining domestic political support for liberal trade, expanding the benefits of trade by removing remaining barriers, and establishing international rules to govern trade so that disputes can be avoided and contained when they do occur. ■

"Whether left or right, traditional or modern, secular or religious, the one thing that ties so many Americans together is their common refuge in ambivalence. Their lives...have changed, and the struggle to define what those changes are lies at the heart of the America that is emerging."

The Recentering of America

BY ALAN WOLFE

Someone who visited the United States in the first decade after World War II and then returned in the last decade of the twentieth century would find a barely recognizable country. The reason is simple: American society has undergone changes that have permanently altered the character of American life. From relations between husbands and wives and parents and children, to patterns of home ownership and living space, to the relative power of the two political parties, to the role of the United States in the international economic and political order, to the racial and ethnic composition of the population, to the ways in which people understand social institutions such as schools, churches, and medical offices—the texture of American life bears little resemblance to the way things once existed in the American imagination.

The transition to a new century marks the culmination of a major generational shift in the American social, economic, and political landscape. To the degree that any order can be imposed on a society as diverse as the United States, patterns of social life emerged after the twin traumas of the Great Depression and World War II that many would, with some false nostalgia, later call "normal." It was assumed that economic growth and moderate government intervention directed by centrists of both parties would ensure enough stability in the political economy to make possible home ownership, moves to the suburbs, secure futures for offspring, intergenerational upward mobility, and global peace guaranteed by American military strength. Many Americans came to believe that the America of the late 1950s and early 1960s was the "real" America, a feeling that surely contributed to the election to the presidency of Ronald Reagan, someone whose television and movie career helped define the earlier era.

Caught between expectations formed in an earlier period and the realities of new political and economic forces, Americans are unsure about how to respond, sometimes giving vent to populist anger, at other times retreating into private life, still at others voting for the most conservative candidates they can find. Their confusion is no doubt the result of America's "decentering": the country's institutions and practices no longer correspond to the images that linger in the minds of American citizens. Consider some of the more noticeable transformations:

1. Population shifts have produced a new demographic profile of the country. Newer regions of the United States, such as the South and the West, have achieved economic and political prominence over the older cities of the Eastern seaboard and Midwest. Immigration, especially from Latin America and Asia, has also changed the literal image of what it means to be an American. Since George Washington's Farewell Address, Americans have always been somewhat reluctant to engage themselves in the affairs of the world. Now the world, perhaps tired of waiting, has decided to engage itself in the affairs of the United States.

2. Concomitant with demographic changes are political ones. The New Deal coalition, linking working-class and ethnic votes in the North with the solid South, can no longer win presidential elections. Yet a presidency that has been dominated by Republicans while Congress has remained under the control of the Democrats suggests that there is not one political mood in the country but many moods, often contradictory but in any case localized and privatized. Indeed, the important point may be that it is not the content of politics that has shifted so rapidly but more the form, as expensive races, media simplifications, and "sound-bite" politics dominate the campaign strategies of both parties.

3. The fundamental values and culture of American society are no longer shaped by a Yankee consciousness

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inherited from Great Britain. A Protestant ethic stressing thrift, honesty, hard work, sacrifice, and community service has less currency for a country that, with each passing year, is decreasingly Protestant. While some segments of America have become "more" religious, as witnessed by the rise of fundamentalism in many forms, others have become "less" so, as charges abound, as much among academics as among preachers, that hedonistic utilitarianism has become America's only compelling source of ethical values. Morality in America has more to do with the subcommunities to which one belongs than to the national community to which all belong.

4. Both upward and downward mobility seem to have increased, at least in the consciousness of most Americans. In the 1970s, energy crises and inflation raised the specter for many of a world without endless growth, transforming middle classness from a "natural" condition to one that could be attained only through struggle. Downward mobility, moreover, has begun to reach into the upper middle class and, as it does, basic assumptions about progress and the good life have been altered. Yet even while facing the prospect that their children might not achieve the same level in life as they did, Americans are also treated to stories of exceptionally rapid upward mobility, as new capitalists—many from "marginal" ethnic backgrounds—assume prominent places in the American consciousness. A link between status and wealth seems broken: there are as many who have the latter without the former as there are who have the former without the latter.

5. Conditions at work have been almost completely transformed. This is partly due to radical changes in the nature of American industrial relations, such as the decline of large manufacturing firms, the reorganization of industries, and the rise of financing techniques such as leveraged buyouts. For the average American worker, especially the unionized worker, the resulting changes have been dramatic. The stereotypical situation 25 years ago was one in which trade union-conscious men left each morning for high-paying factory jobs while their wives stayed home and raised the children. Now the men no longer belong to a union, no longer work in factories, and no longer receive high pay, while their wives, who now work in the service sector, barely earn enough to bring their family income up to what it was, in real dollars, a quarter-century ago. When union density was high, worker solidarity strong (or at least stronger than now), and competition, through monopolies and protectionism, held at bay, the world of work could to some degree be shielded from the rest of society. Now, for more and more Americans, everything about work has to be negotiated constantly—between husbands and wives and between employers and their employees.

6. The reality of two-career families has changed both family ideology and family practice since the 1950s. Child-care arrangements all but inconceivable a generation ago are being invented from scratch; not only are mothers working outside the home, but grandparents have moved away and extended kin networks are harder to maintain, given geographic mobility and higher housing prices. Women and men have been forced to negotiate their way around these changes, discovering for themselves patterns that work rather than following textbook formulas that explain what the family is, or ought to be.

7. Children have also become contested terrain. As part of the nostalgic reaction characteristic of the 1980s, Americans seem to want to reassert the innocence of childhood. However, as activities from illegal drugs to quite legal commercials make clear, they deprive children of the time to just be children. Meanwhile, young people themselves go their own way, as they always have, developing their own subcultures, markets, institutions, and rituals. Americans have long thought of themselves as a child-oriented people, but hair-raising stories of latch-key kids, sexual abuse, poor schools, and a failure to recognize the need for adequate child care have forced a reevaluation. Nonetheless, at least at the level of public policymaking, Americans seem surprised that new generations of children somehow keep making their appearance in the world.

8. Housing for most families has also changed radically. There may have been no more important piece of domestic legislation in postwar America than the Housing Act of 1949, which symbolically linked home ownership with democratic ideology. Now there are more renters, more homeless, more foreclosures, and more young people unable to accumulate a down payment. No one knows what the future implications of these changes will be; markets have their downswings as well as their upswings (and the recent crisis in real estate has begun to make homes affordable once more). But even "affordable" homes take so much of the typical young family's income that the home can no longer be viewed as a protection against the market but has come to symbolize one's largest investment in the market.

9. Housing is just one aspect of a transformation in the American economy and its relationship to the world economy. When American-based corporations are multinational and when foreign-based corporations create jobs for Americans, whose economic success should Americans applaud? The experience of the state of New Jersey—which, in its efforts to supply its troopers with cars made in America, had to reject Fords only to accept Volkswagens—will become increasingly common. Just when Europe is increasingly integrating economically and politically, the United States may be breaking into

two economies: one inward-looking and protectionist, the other global and expansionist. It is a sign of the times that neither political party can tell which economy is preferable.

10. Americans are in a post-imperial mood, without ever quite having admitted to themselves that they have given up the empire. The collapse of communism, America's ideological enemy in the postwar years, along with the end of the Eastern bloc, America's geopolitical enemy during the same period, were not enough to arouse an American president to eloquence, or even the American people to a greater concern with the rest of the world. The end of the cold war seems to vindicate the fundamental values of liberal democracy that the United States has long embodied, yet there is surprisingly little pride in the fact that countries in Eastern Europe now want to borrow American political and social models. The suspicion of communism that marked so much of America's recent past may shift to a suspicion—combined, of course, with envy—of Germany and Japan as they become increasingly important actors on the world scene. Nostalgia for the cold war may well come back into fashion as the need for dealing with a new world order becomes increasingly compelling.

11. A withdrawal from Washington—from the idea that national problems can be identified, with funds and corrective measures sure to follow—has taken place. This sensibility is deeper than a shift from reform to conservatism, from Democrats to Republicans. It represents a retreat from the spirit of can-do optimism that has characterized American life since the early nineteenth century. Crack cocaine, AIDS, and homelessness seem to present problems of such depth and social cost as to be beyond anything ever experienced in American memory. Yet the willingness to tackle such problems—indeed, any problem—is hamstrung by a reluctance to raise taxes that would make solutions possible. To the degree that any of these concerns overlap with race, and they do in public perception if not always in reality, they point to a mood that has emerged among some Americans that raises questions about whether racial harmony is possible in the United States, and consequently, whether it remains possible to speak of one American experience. In areas such as schooling, residence, and opportunity, the realities facing racial minorities are so different from those facing middle-class whites that they make progress toward equality seem inconceivable.

12. It is often the case that social change and technological change do not necessarily reinforce each other. The "traditional" American family and suburban home, for example, were reinforced at a time when untraditional new technologies, such as television and modern appliances, were altering how Americans used their

time. But in the past decade, social changes have been accompanied by very noticeable technological changes, each strengthening the other. As a result of the personal computer, for example, working at home is made possible by the modem. Cottage industries are therefore returning, since highway congestion makes it unthinkable to travel to work. Flexible working patterns will in turn have consequences for families and communities. New technologies and new patterns of allocating time will change how people work, how they spend their leisure time, and how they travel from one to the other.

13. In the absence of traditional understandings of community, Americans have created new experiments with subcommunities. The elderly, who now live longer than ever before, symbolize this development, concentrating, if they have the means, in specific regions and supporting industries that cater to their needs. But retirement communities are only one example of the general trend: urban gentrification, increasing segregation by class, and the development of "high-tech" subeconomies—Silicon Valley and its spinoffs—all represent living patterns that come closer to sociologist Emile Durkheim's definition of traditional society based on likeness than to his understanding of modern society based on a complex division of labor. Some new communities regulate the architectural details of the homes in them down to the color and shape of doors. The tremendous diversity of America at the national level is being matched by an often futile emphasis on homogeneity at the local level.

14. In part because they live and act in new ways, Americans are no longer sure how to represent reality to themselves, let alone to others. For the first time in American history, the media has become nationalized, creating the possibility of a richer national community. But the success of chain bookstores, national newspapers, and round-the-clock cable news has led to a "thinning" of the reality that is represented—Americans have more and more information and less and less understanding. The general pattern seems to be one characterized by an explosion of outlets that make communication possible combined with an increasing inability to find much that is original and interesting to communicate. One can now watch the same news program anywhere in the United States—or in the world—and yet still not have the context and historical understanding to make sense of the events being reported.

15. How Americans understand their relationships with each other has been changing as well. Although they like to think of themselves as neighborly, Americans increasingly resolve their disputes with each other in ways that are more formal than a chat over the fence. The increasing litigiousness of American society, the new

role of insurance companies as makers of public policy, the use of contracts rather than handshakes to guarantee trust, the increasing use of binding arbitration, the rise of an interventionist judiciary, the growing privatization of government services all represent steps from face-to-face contact to anonymous organizations. Yet it would be foolish to lament these changes: even as they wax nostalgic for a world they believe to be lost, Americans have taken steps to ensure their rights, realize their self-interest, and protect themselves against what they perceive to be the intrusive claims of community. The net result is a change in the texture of everyday life, one that is bound to be felt in places as diverse as the physician's waiting room, the courtroom, the local prison, and the suburban shopping mall.

16. No one seems to obey the rules anymore. This is not meant to be part of a conservative lament that always accompanies social change, bemoaning the fact that people no longer know their place. It is instead a reflection of the fact that new issues have arisen for which traditional rules can no longer guide conduct: surrogate mothering, computer hacking, organ transplants, the prolongation of life, corporate crime, abortion, and AIDS are only some examples. It is as if the United States is caught between two moral codes: one that no longer applies and another that has not yet been developed.

THE RECENTERING OF VALUES

If it is true that America is moving away from models of society based on the assumption of a central core of values—or assumptions about economic activity, social organization, moral standards, or ethnic composition—should we conclude that those who look at the world through the eyes of “postmodernism” would have the most to say about our condition? Despite the initial evidence in favor of a postmodernist perspective, the situation facing the United States is better described as a “recentering” rather than a “decentering.” Although old models of moral conduct no longer have much validity, Americans are not so much celebrating the absence of rules as they are trying to find new sets of rules that fit an emerging social system, the contours of which no one quite understands yet.

To take as illustrative the most contested of terrains—the family—it is one thing to discover that the 1950s model of a “traditional” family in which the man went out to work and women stayed home to raise the children is no longer especially relevant for most Americans. But it is quite another to suggest that the family itself is a dead institution. What comes across strikingly from ethnographic studies of American family life is that both men and women understand differing moral imperatives and try to find balances between them. Although there are of course exceptions—women who want to stay home and be domestic, and men who are completely

absorbed in their work and ignore their families—most people find neither the workplace nor the home the single focus for what they want to do.

A similar ambivalence emerges with respect to changes in how and where Americans live. New York and Los Angeles, characterized both by increasing poverty and increasing wealth—the one as unimaginable as the other—appear to be postmodern nightmares, organized, if organized at all, by rules that no one understands. Yet Americans have long possessed a deep ambivalence about the places in which they live. Although longing for “more” community and lamenting the uprooting and alienating tendencies in American urban life, many people would not have it any other way. Who can blame them? Although their desire for stability and neighborly friendliness is no doubt genuine, the newly created living arrangements they show a fantastic knack for developing allow greater choice for most people and create novel ways of tying individuals together. America is not so much at the end of urbanization as it is part of a process in which the meanings of city and community are being constantly redefined.

Ambivalence also applies to American politics. About every 30 years, Americans realign their politics by shifting from one coalition to another. The failure of a realignment in the 1970s, and the incomplete realignment associated with Ronald Reagan's and George Bush's victories in the 1980s and 1990s, raise the possibility of what has been called a “dealignment” of American politics. America has experienced many symptoms of dealignment, including difficulty in passing legislation, establishing goals for public policy, and holding parties and legislators responsible for their behavior. Yet in spite of all the political instability, some constants remain. Blue-collar workers, for example, demonstrate distinct political behavior, even if this behavior is measured more by their likelihood not to vote than by for whom they do vote. In life-style and at the workplace, as well as in voting behavior, class is not completely dead as an explanatory factor in American political life.

Perhaps the best way to characterize the evidence is to say that many Americans—regardless of social class, location, or cultural life-style—increasingly recognize that their institutions no longer operate according to models that they have been made to believe were, at some point in the past, “normal.” At the same time, however, they are split in their responses. Some want to return to what they believe was a golden age even while recognizing that they cannot. Others luxuriate in the freedom that their liberation from earlier constraint has brought them, celebrating their new life-styles, while remaining suspicious of any efforts to reimpose what they believe to be puritanical and obsolete moral rules.

The majority, in all likelihood, take neither position. Uncertain to the core, they appreciate the changes they have seen, even while expressing some worries about

where those changes might lead. Whether left or right, traditional or modern, secular or religious, the one thing that ties so many Americans together is their common refuge in ambivalence. Their lives have been neither decentered nor recentered; they have changed, and the struggle to define what those changes are lies at the heart of the America that is emerging.

INDIVIDUAL CHOICE

If this interpretation of the recent transformations of American life is correct, it seems consistent with common sense. Decentering involves powerful feelings of freedom but at the same time scary visions of chaos. It can hardly be surprising that for many people the collapse of traditional standards for the family, abortion, strict work rules, role-specific institutions, discipline, hierarchy, and other features of a more centered world is experienced with some relief. It would be impossible to exaggerate the sense of freedom that accompanies the capacity to experience oneself as a self-choosing moral agent when one is allowed, by law or custom, to make a decision that was once reserved only for a priestly

elect. Yet it would also be impossible to exaggerate some of the fears that are associated with such changes, not only from opponents of developments such as working women or patient rights, but also from people determined to exercise their new freedoms but filled with doubts about their capacities and what new responsibilities might result from these new freedoms.

Because of these ambivalences and uncertainties, it would be futile, as well as false, to conclude with either an optimistic or a pessimistic note about the future: both those who believe that the world is falling apart as well as those who see much of value in such changes can find evidence to support their position. But that, in a sense, is the point. There may well be too many voices in American life speaking in tones of certainty.

There are, in short, two messages conveyed by the recentering of America. One is that Americans are correct in perceiving that the older moral models are of little help. The other is that they are wrong to think that the result must be either a return to traditional standards or complete moral anarchy. What actually happens is up to them. ■

"With halting...but increasingly frequent and decisive steps, the [health-care] system may end up 'transformed' in a decade or two. But each step will be a battleground for reformers and purchasers, and for special interests whose time for significant sacrifice has arrived. Nothing guarantees wise decisions or a better world after the smoke clears. Would-be reformers should be forewarned of many troublesome issues that may be overlooked in the euphoria over the beginning of the end of the traditional American health-care system."

The Politics of Health-Care Reform

BY LAWRENCE D. BROWN

Everyone knows the power of an idea whose time has come, but exactly how do we recognize such an idea when we see it? After years of intermittent "imminence," national health insurance—or universal coverage, or at any rate major change in health-care policy in the United States—seems to be at hand. But is it?

A sizable body of evidence suggests that the American public is dissatisfied with the current health-care system and is ready to embrace significant, perhaps even "fundamental" change. Polls by Harvard School of Public Health Professor Robert Blendon and others have consistently found a high degree of discontent with the health-care system at levels far higher than those voiced in polls in other countries. They also show considerable wistful longing for a health-care system like Canada's, and surprisingly strong support for a complete overhaul of the American system.

Those who distrust polls can look at recent electoral realities. On November 5, 1991, Democrat Harris Wofford trounced Republican Richard Thornburgh in the Pennsylvania race for the United States Senate after starting far behind in the polls. He waged a spirited campaign whose centerpiece was a call for a national health-care plan. Many observers saw in Wofford's dark-horse victory political evidence that health-care and discontent over it had emerged as a potent national issue.

Between the late 1970s and the late 1980s the number of uninsured Americans rose from about 26 million to about 37 million, and if the snail's pace of congressional legislative action is a reliable indicator, no one seemed to mind much. Now, however, the uninsured have become engulfed in a larger issue of health-care

affordability that affects increasing numbers of middle-class voters. Wofford's win seemed to confirm the tantalizing hypothesis that in the general elections to be held this November, Democrats could capitalize on the latest escalation of middle-class resentment. The issue of health-care costs and coverage, the hypothesis goes, could make the middle class's concerns concrete, and thus work to the advantage of candidates astute enough to sense the issue's deep resonance. Since last November 5, all the major Democratic contenders for their party's presidential nomination have pledged to support health-care reform. And on February 6, President George Bush, notable until then mainly for his determination to avoid the issue, presented his own plan, which would use tax credits to make coverage more widely available.

INTEREST GROUP POLITICS

It is not only the electorate that clamors for change but also an impressive range of interest groups with large economic stakes in the health-care system. Wherever one turns—to Blue Cross and Blue Shield, the Health Insurance Association of America, the American Medical Association, the American Hospital Association, the American Federation of Labor-Congress of Industrial Organizations, the national Chamber of Commerce, business roundtables of various creeds and compositions—one finds a proliferation of white papers, task force reports, full-page advertisements, and other missives designed to demonstrate that the group in question "really cares" about health-care reform and has applied its matchless expertise to thinking it through. Who can fail to be astonished that the groups that have vetoed health-care reform in the past now appear to be leading the charge for change? Business executives, rarely enamored of government intrusion into the private sector, voice significant support for a stronger government leadership role. The AMA, whose policy diagnosticians now detect an "aura of inevitability"

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around the idea of change, catalogues the ways and means of universal coverage and pushes a plan of its own. No group that wants to influence the policy process now dares not to articulate and advertise a positive reform plan.

WASHINGTON POLITICS

Bush and the Democratic presidential hopefuls are not the only prominent politicians seeking to dramatize their leadership on health-care reform. Until recently political figures often voiced platitudes but kept health-care reform issues at bay. Major change was sure to trigger intense political opposition from concentrated groups in the health-care industry and uncertain gratitude from a diffuse set of consumer-voters. Now the universe of legislators increasingly resembles that of the interest groups in that it has become unfashionable to go about in polite society without a health-care bill of one's own. Such familiar reform figures as Edward Kennedy (D-Mass.) and Henry Waxman (D-Cal.) have been joined by George Mitchell (D-Maine), Lloyd Bentsen (D-Tex.), John D. Rockefeller, IV (D-WV), Dan Rostenkowski (D-Ill.), Marty Russo (D-Ill.), and others, and the list of proposed legislation, which now includes about three dozen bills, is rapidly growing. The politicians, it seems, "get it" very well.

When public opinion, powerful groups, and practiced politicians concur that major reform of the health-care system is desirable, who can doubt that frustrating years of deadlock in the policy process will soon end in a glorious display of at least a thousand points of light? The problem is that the same variables on which rest the case for inevitable progress toward a better system can with equal plausibility be used to "confirm" precisely the opposite prognosis.

ELECTORAL POLITICS

While opinion polls may show that many Americans are unhappy with prevailing health-care arrangements, they reveal little about what the public wants, or might accept, in their stead. The questions posed are for the most part broadly worded and fail to plumb the trade-offs the public perceives, or might prefer, in various reform options. Opinion specialists know that how a question is answered depends partly on how it is asked; diffuse probes undoubtedly trigger diffuse discontents, and the translation of these sensibilities into concrete stratagems may result in costly non sequiturs. In Pennsylvania, Wofford confined himself to generalities about the need for health-care reform, and has yet to explain what exactly he might do. And the Pennsylvania returns notwithstanding, the electoral force of health-care reform has yet to be adequately tested.

Moreover, the interest groups that would be most disturbed by various changes—for example, insurers by new regulation of their industry, business by a pay-or-play scheme, and providers by the adoption of a Cana-

dian-style model—have hardly begun to fight. If and when options narrow and the identities of the groups with which political leaders choose to pick their fights become clear, aggrieved interests will surely mount expensive, aggressive public relations counteroffensives designed to persuade the public that their special interest faithfully advances the public interest, and that hasty change would do away with certain underrated virtues of the status quo. (A Canadian model, which would entail explaining to average Americans that they cannot expect to have diagnostic tests and treatments at their closest community hospital whenever they or their physicians think they need them, may be especially liable to boomerang as the public reconsiders and recoils, in this case from the specter of "rationed" medical services because of the government's fiscal insistence.)

GROUP POLITICS

That health-care reform is on the national agenda does not mean that the major players are prepared to join hands and seek a solution that would apportion benefits and burdens in a fair manner. Much of today's task-forcing and white-papery reflects the new politics of interest group representation in health-care arenas dominated by huge and soaring public payments. Groups that once exploited their money, organization, legitimacy, and self-confidence in vetoing (or better yet, consigning to the never-never land of "nondecisions") unpalatable policy departures understand that the federal and state fiscal stake in health-care programs is now too great to permit policymakers to shed the role of prudent purchaser and return to the good old days of the passive payer. Now that Medicare and Medicaid together receive about \$200 billion annually in federal and state funds, most groups see that to retain a place at the bargaining table they must appear constructive and proactive, and so must sell themselves as part of the solution, and not part of the problem.

The key question, then, is not whether change has entered group agendas but what is its relative ranking on them. Groups tend to be forceful agents for change when pushing items at the top of their legislative wish lists, not largely symbolic measures somewhere down in the double-digits to which they devote little political capital or lobbying effort. To date most groups have been far more adroit at taking positions on health reform than at wielding their influence. On the whole, multiparty coalitions embrace vague lowest-common-denominator proposals that lack teeth, while single-interest bodies contrive concrete measures that largely indemnify their group from changes prescribed for other parts of the system.

If the national debate heats up and the leading strategic options grow fewer and more evident, those threatened will settle down to the serious work of self-protection. Any scheme that is both truly universal and affordable will demand a dramatic enlargement of the federal government's regulatory—and probably its bud-

getary—role, and once government starts down the slippery slope toward real change it will surely insist on dramatic departures from the status quo for insurers, employers, providers, and the states. Epic battles between the federal government and the toughest customers of health-care politics will ensue. The fallout could, as noted earlier, frighten a public that may give more credence to skillful special interests than to a subset of the political class bent on making the federal government issue more rules and spend more money for health-care reform.

This prospect is all the more plausible because of a troubling asymmetry in the current interest group configurations around the issue. The clash over Medicare in the early 1960s pitted powerful opponents (the AMA, the business community) against strong advocates (labor unions, the elderly), but the 1990s find a range of tenacious actors poised to stymie changes that would disrupt their incomes and missions and a dearth of countervailing groups that could sustain the struggle for reform.

Organized labor counts for much less in the debates today than it did 30 years ago, and in any case is split between those who want comprehensive reform and those who favor more limited measures. The elderly are more concerned with protecting Medicare and, if possible, moving toward new long-term care benefits than with attaining universal coverage. Such stalwarts as the American Public Health Association may of course be found in the reformers' corner, but even the ranks of these organizations are by no means united, and their political influence is limited. In the 1990s reform is driven by diffuse public dissatisfaction and acute government budgetary anxieties, largely without the effective mediation of organizations willing and able to help steer the political process. What this odd pattern portends for policymaking remains to be seen.

ACTION OR STALEMATE?

This asymmetry—proponents of change do not agree on what form it should take, opponents agree only too readily that change is required so long as its costs fall on others—is bound to have its effects on, and is partly mirrored by, official Washington. The rich menu of reform options, which some regard as evidence that a new order is imminent, may instead presage the stalemate and deadlock that can result from an embarrassment of ameliorative riches and the heady sense that at last one dares to insist that reform be done right. The plain fact of the matter is that among advocates of change there is now no consensus on general strategic directions, much less on legislative details. Tax credits, efforts to encourage health insurance firms to improve the availability of insurance for small businesses, tighter regulation of insurance, pay-or-play mandates, managed competition, Canada's system, and variations within and beyond these all have their eloquent supporters.

This confusion of innovation is an old refrain in the

politics of health insurance reform in the United States. In the early 1970s universal coverage seemed to be right around the corner and perhaps might have been. But those pushing it split among such alternatives as "Health Security" (cradle-to-grave public coverage), catastrophic health insurance, kiddiecare, and mandatory employer-provided insurance coverage. When the proverbial window of opportunity closed, nothing had happened.

The United States is not the only country that entertains divergent views on what health-care reform should mean, but others have been able to get on with the job of making policy because they enjoy three advantages that the United States lacks, namely the common sense and institutional sophistication to avoid market-based nostrums; strong integrative parliamentary or coalition-based systems that encourage policy players to thrash out the position of the government and then implement it; and greater government legitimacy and adroitness in convening special interests and obliging them to hammer out something resembling a consensus on issues of general interest. In the United States neither presidential, committee, party, corporatist, nor other leadership structures dependably articulate ends and forge means to attain them, and this institutional frailty permits the dissipation of reform opportunities. Health-care reform today could again be traveling down that road.

Obviously, what develops will largely depend on the outcome of the 1992 elections. If the economy fails to revive soon and the Democrats field a capable candidate, a 1964-style mandate for a much-enlarged federal role would not be out the question, and true national health insurance might emerge more easily than would now seem possible. But in the most probable electoral aftermath—George Bush or a moderate Democrat facing two moderate Democratic houses of Congress—incrementalism may be the best reformers can get. Barring an ideological realignment along the way, policymakers will probably take modest steps that move the system two steps forward and one back (or the reverse, depending on the observer), and then at regular intervals acknowledge the need to move further down the reform path in order to cope with the new malfunctions of the modified system.

With halting and painful but increasingly frequent and decisive steps, the system may end up "transformed" in a decade or two. But each step will be a battleground for reformers and purchasers, and for special interests whose time for significant sacrifice has arrived. Nothing guarantees wise decisions or a better world after the smoke clears. Would-be reformers should be forewarned of many troublesome issues that may be overlooked in the euphoria over the beginning of the end of the traditional American health-care system. National health-care reform may be an idea whose time has come, but the idea will not be father to the deed unless artful political practitioners, adept at listening, anticipating, negotiating, and compromising, are prepared patiently to manage a lengthy labor and a difficult delivery. ■

"None of us is ready to prescribe what should be done to remedy the environmental failure.... But I suggest that we know how to begin—by an open public discussion of what has gone wrong and why. That is the necessary first step on the road toward realizing the nation's unswerving goal: restoring the quality of the environment."

The Failure of the Environmental Effort

BY BARRY COMMONER

I believe that there is a crisis in the development of the country's environmental program. Beginning in the 1950s, new forms of environmental pollution appeared and rapidly intensified: photochemical smog, acid rain, excess nitrate and phosphate in water supplies, pesticides and toxic chemicals in the food chain and in our bodies, and dangerous accumulations of radioactive waste.

Then, in 1970, pressed by a newly aroused public, Congress, with the enactment of the National Environmental Policy Act and the creation of the Environmental Protection Agency (EPA) to administer it, began a massive effort to undo the damage. Now, nearly 20 years later, the time has come to ask an important and perhaps embarrassing question: How far have we progressed toward the goal of restoring the quality of the environment in the United States?

The answer is indeed embarrassing. Apart from a few notable exceptions, environmental quality has improved only slightly and, in some cases, has become worse. Overall improvement since 1975, when most of the consistent environmental measurements began, amounts to only about 15 percent.

The story for air emissions (other than lead) since 1981—coincidentally, the advent of the administration of Ronald Reagan—is summarized by the table on page 177. The annual rate of improvement has dropped from 1.52 percent per year to only 1.16 percent per year. At that rate, it will take nearly 100 years to undo the environmental damage created over the past 20 years.

Next, look at water resources, as shown in the table also on page 177, which is based on a comprehensive assessment conducted by the United States Geological

Survey. Here, it is a question of whether the trends are improving or deteriorating. For all the standard water-pollution items, measured at several hundred reporting stations across the country, improvement occurred at only 13 percent of the stations. In another 15 percent there is deterioration. At the bulk of the stations there is no change.

All the environmental news is not gloomy, however. You can find a handful of very significant improvements, as illustrated in the table on page 178. Reduced lead emissions in the air, reduced DDT in body fat, polychlorinated biphenyls (PCBs) in body fat, mercury in Great Lakes sediment, strontium-90 in milk, and phosphate in isolated rivers such as the Detroit. For these pollutants, improvement has been in the range of 70 to 90 percent in the last decade or so.

There is a lesson here.

These are the only pollutants for which the control measures have been not high-tech devices but a simple solution. In every case the nation simply banned the production or use of the material.

Air emissions of lead have declined 86 percent because much less lead is now added to gasoline, and therefore that much less is in the environment. The environmental levels of DDT and PCBs have dropped sharply because their production and use have been banned. Mercury is much less prevalent in the environment because it is no longer used in the production of chlorine. Strontium-90 has decayed to low levels because the United States and the Soviet Union had the simple wisdom to stop the atmospheric testing of nuclear bombs that produce it.

The lesson of both the few successes and the far more numerous failures is the same: Environmental pollution is a nearly incurable disease, but it can be prevented. What you do when you take lead out of gasoline is to prevent its entry into the environment. Once you allow lead, nitrogen oxides, or other pollutants to be released into the air, you will have a lot of trouble getting rid of them.

As it turns out, environmental degradation is built

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into the technical design of modern instruments of production. A high-compression car engine is not only high-powered, it is a smog generator. A farm that uses chemical fertilizers and pesticides is not only productive, it is also an uncontrollable source of water pollution. We call it a "nonpoint source," and a nonpoint source is uncontrollable. A trash-burning incinerator not only produces energy, it produces dioxin as well, and so on.

The environmental hazard in these cases is just as much the outcome of the facility's technological design as is its productive benefit. For example, high compression is the cause of both the auto engine's power and the production of nitrogen oxides. Nitrogen oxides trigger smog. The extensive use of fertilizer and pesticide accounts for the productivity of the modern farm, and also for the pollution of rivers and ground water. The same combustion process that extracts energy from trash also releases the precursors that combine to produce dioxin.

Most of these technological changes that have brought both high productivity and pollution are the results of sweeping change after World War II. That was when the new, large, high-powered, smog-generating cars began to appear. That was when there was a shift from fuel-efficient railroads to trucks and cars. That was when the United States began to substitute undegradable and hazardous petrochemical products for biodegradable and less toxic natural products. That was when the United States substituted chemical fertilizers for manure. It is hard to believe, but before 1950 practically no inorganic nitrogen fertilizer was used in America. It was all a postwar development.

By 1970 it was clear that these changes in the technology of production are the *root cause* of modern environmental pollution. This conclusion has been confirmed by the sharply divergent results of the effort the clean up the environment.

In my book *The Closing Circle*, I analyzed the increase in pollution since 1950 and came to the conclusion then that the situation was due to the design of the technology of production.¹ I am not happy about the situation, but feel personally pleased the theory has been confirmed by what has happened since 1970, as the United States has tried to reduce pollution.

Only in the few instances in which the technology of production has changed—eliminating lead from gasoline and mercury from chlorine production, for example—has the environment been substantially improved. When the technology of production is unchanged, as when you take the same car engine and try to put a control device on it, you do not get good results.

The data underscore this simple point: When a pollutant is attacked at the point of origin in the productive

Changes in Emissions of Standard Air Pollutants United States, 1975-1985

Pollutant	Emissions (million metric tons per year)		Percent change
	1975	1985	
Particulates	10.4	7.3	-29.8
Sulfur dioxide	25.6	20.7	-19.1
Carbon monoxide	81.2	67.5	-19.1
Nitrogen oxide	19.2	20.0	+4.2
Volatile organic compounds	22.8	21.3	-6.6
Average			-14.1
Lead	147.0	21.0	-85.7

enterprise, it can be eliminated. Once it is produced, it is essentially too late.

Unfortunately, the legislative base of the whole environmental program was created without reference to the origin of the crisis it was supposed to solve. You do not find in the laws any discussion of the origin of environmental pollutants—of why we have been afflicted with the pollutants that the laws were designed to control. This is true of every country, and it goes back to the United Nations environmental conference in Stockholm in 1972, where you were pretty much forbidden to talk about the origin.

Back when American environmental laws were originally conceived, there was no shortage of theories being offered the legislators. Stanford biologist Paul Ehrlich said at the time that pollution is all a matter of population. Some theories were greeted with a great deal of skepticism.

Water Quality Concentration Trends in United States Rivers, 1974-1983

Pollutant	(Percent of Sites)		
	Improving	Deteriorating	No Change
Fecal coliforms	14.8	5.2	80.0
Dissolved oxygen	17.1	11.1	71.8
Nitrate	7.0	30.3	62.7
Phosphorus	13.1	11.3	75.6
Suspended sediment	14.1	14.7	71.2
Average	13.2	14.7	72.1

¹*The Closing Circle* (New York: Bantam Books, 1972).

Significant Improvement in United States Pollution Levels

TRENDS IN CONCENTRATION

Pollutant	Time Period	Percent Change	Control Measure
Lead emissions ¹	1975-1985	-86	Removed from gasoline
DDT in body fat ²	1970-1983	-79	Agricultural use banned
PCB in body fat ²	1970-1980	-75 ³	Production banned
Mercury in lake sediment ²	1970-1979	-80	Replaced in chlorine production
Strontium-90 in milk ²	1964-1984	-92	Cessation of atmospheric nuclear tests
Phosphate in Detroit River water ²	1971-1981	-70	Replaced in detergent formulation

¹Measured as amount emitted per year.²Measured as concentration.³Change in percentage of people with PCB body fat levels greater than 3 parts per million.

For example, I well remember the incredulity in Senator Edmund Muskie's (D-Maine) voice when he asked me in a congressional hearing whether I was testifying that the same technologies that generated post-World War II economic progress were also the cause of pollution. I said I was, but I do not believe I convinced him.

Because environmental legislation has ignored the origin of the problem, it has dealt only with its subsequent effects. And having to define the disease as a collection of symptoms, the legislation mandates only palliative measures. But preventing pollution, as the data show, is the only solution that really works. And prevention is an approach that appears only fitfully in the environmental laws, and has never been given any administrative force.

The notorious record of environmental pollution racked up by the modern automobile is a case in point. Where has the effort to rid the environment of its automotive nemesis ended? What has been the result of the massive amounts of environmental analyses, emission standards, rulings, and litigation coming from the EPA on the subject of automotive pollution?

For more than 20 years we have understood the origin of photochemical smog. The high-compression engines, introduced after World War II to power the suddenly enlarged American cars, will necessarily run hot. It is a law of physics that they do. At elevated temperatures, engines convert the oxygen and nitrogen in the cylinder air to nitrogen oxides. Once out of the exhaust, nitrogen oxides are activated by sunlight, react with airborne fuel and other hydrocarbons (many of them otherwise relatively benign), and convert this mixture into ozone and all the other noxious components of photochemical smog. This is well known and has been repeatedly reported.

What has the EPA done about it? It has tried to deal with the smog problem by aiming at everything except

the crucial target, which is the engine's production of nitrogen oxides. That is what was new. Hydrocarbons were in the air before smog, but nitrogen oxide was not. What the EPA has done is propose regulations to reduce emissions of hydrocarbons from a bewildering array of sources, from gasoline pumps, the corner dry cleaner, house painters, body shops, and so on. The approach has clearly failed.

Now let me suggest another approach—that you are better off attacking the problem at its origin. What could be done to deal with the production of automotive nitrogen oxides? You stop producing it.

It is worth noting that this approach accords well with a corresponding approach to health: prevention. Rather than trying to cure a disease, or tolerating it, you prevent it from happening. The preventive approach to disease, of course, is the source of some of the major advances in public health. The classic example is smallpox. Widespread use of a preventive measure, vaccination, has now completely eradicated the disease, leading to a zero incidence worldwide. That is a real accomplishment.

Like smallpox, the great majority of the assaults on the environment are, in fact, also preventable. After all, nearly every environmental health hazard (the major exception being natural radiation) has been created since 1950 by introducing inherently polluting forms of production technology, including the modern chemical farm and the high-powered car. These health hazards are not the result of natural processes, but of human action. Human action can once again change the technologies and undo their harm.

Is this approach to the smog problem practical? Can smogless engines that do not produce nitrogen oxides be built? They can. Indeed, they have been. Every pre-World War II car was powered by such an engine, which is why the country was then free of smog.

But production of nitrogen oxides can be prevented without giving up the American car's precious over-powered engine (which is, nevertheless, a good idea in its own right). The so-called "stratified-charge" engine can do just that. According to a 1974 National Science Foundation (NSF) study, prototypes were then already operating in Detroit, and tests showed the engines would meet the 90 percent reduction in nitrogen oxide emissions required by the Clean Air Act amendments.

But the NSF report also said the engine would need considerable redesign, requiring a new fuel injector, fuel pump, sparkplug system, cylinder head, piston, and intake and exhaust manifolds. Unlike adding a catalytic converter to the exhaust system of an existing engine, this would mean extensive retooling in the manufacturing plants. According to the report, had the auto industry decided in 1975 to take this course, the stratified-charge engine could now be powering most American cars, and automotive nitrogen-oxide emissions would have been sharply reduced instead of increasing.

In short, the goal established by the Clean Air Act could have been met, but only if the EPA had confronted the auto industry with a demand for fundamental changes in engine design. The EPA was unwilling, or unable, to take on this task. Its reluctance or inability to tell the auto industry what kind of engine it should build has helped undermine the goal of the Clean Air Act.

There are other examples of how pollution can be attacked at its source, and thereby prevented or considerably reduced.

Had American farmers been required to reduce the present, often unproductively high rate of nitrogen fertilization, nitrate water pollution would now be falling instead of increasing. If farms were required to shift from blindly repeated pesticide applications to integrated pest management, the rising level of pesticide pollution could be checked.

If the railroads and mass transit were expanded; if the electric power system were decentralized and increasingly based on cogenerators and solar systems; if the pitifully small percentage of American homes that have been weatherized increased, then fuel consumption and attendant air pollution could be sharply reduced. If brewers were forbidden to put plastic nooses on six-packs of beer; if supermarkets were not allowed to wrap everything in sight with a film of polyvinyl chloride, and then to put that into a plastic carrying bag; if plastics were cut back to uses where they are really needed, such as in artificial hearts and videotape, then we could push back the petrochemical industry's toxic invasion of the biosphere.

Of course, all this is easier said than done. What I am proposing is not easily accomplished by bureaucratic

fiat. It means sweeping changes in the major systems of production—agriculture, industry, power production, and transportation. But the undertaking would have a social purpose: environmental improvement.

As I pointed out in some detail in an article in *The New Yorker*, this represents social, as contrasted with private, governance of the means of production, an idea that broaches the infamous "s" word, socialism.²

But it is not my purpose here to argue the merits of undertaking such a sweeping change in the country's deeply felt concept of political economy. Rather, I am interested in discussing the consequences, especially for the EPA, of failing to address the issue of environmental quality in these fundamental, if highly disturbing terms.

But first I want to at least mention a major consequence of failing to take needed action in the fields just noted. The matter lies a bit outside the realm of the environment, but is closely allied with it. I am speaking of the efficiency of the national economy.

By now it is depressingly clear that the United States productive system, despite its past gains, is in a state of decline. Among the industrial nations of the world, the United States has one of the lowest rates of annual improvement in a fundamental economic parameter: productivity.

A good deal of this decline derives from the fact that new, highly polluting post-World War II production technologies were based on large-scale, centralized, capital-intensive, and energy-intensive facilities. The country's overall economic efficiency is now heavily encumbered by the low productivity of these facilities in terms of return on capital and low output per unit of energy used.

For example, compare the output per unit of capital invested in a nuclear power plant and in a cogenerator. Compare the productivity per unit of energy used between truck freight and railroad freight. Railroads are notably more energy efficient.

These and a number of other forms of post-World War II production technologies are capital intensive and energy intensive, and contribute greatly to the decline in productivity of American capital and energy. As a result, the United States economy has one of the world's poorest rates of development. So the change in the technology of production has had much more pervasive an effect than simply damaging the environment.

Now let us turn to the impact on the EPA of the taboo against social intervention in the production system. A major consequence of this powerful taboo is the failure to reach the goals in environmental quality that motivated the environmental legislation of the 1970s. The present, largely unsuccessful, regulatory effort is based on a now well-established process. First, the EPA must estimate the degree of harm represented by different levels of the numerous environmental pollutants. Next, some "acceptable" level of harm is chosen—for

²*The New Yorker*, June 15, 1987.

example, a cancer risk of one in a million. Emission standards or ambient standards are then established that presumably can achieve the risk level that has been set.

Once the ambient standards are in place, polluters are expected to respond by introducing control measures such as automobile exhaust catalytic converters or power plant stack scrubbers that will bring emissions or concentrations to the required levels. If the regulation survives the inevitable challenges from industry, the polluters will invest in the appropriate control systems. Catalytic converters are appended to cars, and scrubbers to power plants and trash-burning incinerators. If all goes well, as it frequently does not, at least some areas of the country and some production facilities are then in compliance with the regulation.

The net result is that the "acceptable" pollution level is frozen in place. Industries, having heavily invested in equipment designed to just reach the required level, are unlikely to invest more in further improvements. The public, having been told the accompanying hazard to health is acceptable, is likely to be equally satisfied. Some optimistically inclined people will look on exposure at the so-called acceptable level as a kind of health guarantee. Others, perhaps aware of the linear relation between pollution level and the risk to health will, in most cases, accept the remaining risk fatalistically.

Clearly this process is the inverse of the preventive public-health approach. It strives not for the continuous improvement of environmental health, but for the social acceptance of some hopefully low risk to health.

In a way this is a return to the medieval approach to disease, when illness, and death itself, were regarded as a debit on life that must be incurred in payment for original sin. Now we have recast this philosophy into a more modern form: Some level of pollution and some risk to health are the inevitable price that must be paid for the material benefits of modern technology.

The preventive approach aims at progressively reducing the risk to health; it does not mandate some socially convenient stopping point. The medical profession, after all, did not decide that the smallpox prevention program could end when the risk reached one in a million. In contrast, the present regulatory approach, by setting a standard of "acceptable" exposure to a pollutant, erects an administrative barrier that blocks further improvement in environmental quality. This, I believe, is a major cost of our failure to confront the environmental crisis at its source.

But how do you decide when to stop, where to set the standard? The current fashion is called "risk-benefit analysis." Since a pollutant's ultimate effect can often be assessed by the number of lives lost, let us say from cancer caused by an environmental carcinogen, the risk-benefit analysis requires that a value be placed on human life. Some economists have proposed that the value should be based on a person's lifelong earning power. It then turns out that a woman's life is worth

much less than a man's, and that a black's life is worth less than a white's. In effect, the environmental harm is regarded as smaller if the people killed are poor—a standard that could be used to justify situating heavily polluting operations in poor neighborhoods. And, in fact, this is an all too common practice. No one puts a toxic dump on New York's Park Avenue.

Thus, thinly veiled by a seemingly straightforward numerical computation, there is a profound, unresolved moral question: Should poor people be subjected to a more severe environmental burden than richer people, simply because they lack the resources to evade it? Since in practice the risk-benefit equation masquerades as science, it deprives society of the duty to confront this moral question. It seems to me, therefore, that one result of failing to adopt the preventive approach to environmental quality is that regulatory agencies have been driven into positions that seriously diminish the force of social morality. It may be a harsh thing to say, and it is not the fault of the people at the EPA, but I think this is what is happening.

What is the result when, by whatever means, standards are set, but for the reasons described earlier, the required control measures fail to achieve the standards? Something has to give, as witness the scandalous situation in air pollution.

In 1970 the Clean Air Act amendments called for a 90 percent reduction in the levels of urban carbon monoxide, hydrocarbon, and ozone, setting a 1977 deadline for achieving this goal. The penalty for failure was very severe: loss of federal funding for development projects. In 1977, with compliance not even in sight, the deadline was moved to 1982. And when that also was missed, the deadline was once more delayed, to December 31, 1987. Now, with urban areas in which 100 million people breathe substandard air still in noncompliance, the 1990 amendments to the Clean Air Act give some of these places another 25 years to comply—to meet the standard, if they can. Step by embarrassing step, because we are unwilling to adopt the measures that can prevent air pollution, enforcement of the laboriously constructed standards evolves into a distant hope.

It hardly requires a sociological survey to determine the response to this retrogressive policy. The polluters can justify their inaction and the public its apathy. It erodes the integrity of regulation and diminishes public faith in the meaning of environmental legislation. This is part of the price we pay for failing to attack environmental pollution at its origin.

Confronted with such environmental failures, regulatory agencies have become remarkably creative about finding new ways to retreat. The latest is what I call the Humpty-Dumpty approach. You will recall that in *Through the Looking Glass*, Alice gets into an argument with Humpty-Dumpty, who claims that the word "glory" means "a nice, knock-down argument." When Alice

objects to this arbitrary redefinition, Humpty-Dumpty says, "When I use a word, it means just what I choose it to mean." Alice replies, "The question is whether you can make words mean so many different things." Humpty-Dumpty's response is unanswerable: "The question is, which is to be the master."

I am afraid Humpty's freewheeling linguistic philosophy has begun to take hold in regulatory circles. Not long ago, for example, when tests of fly ash—the fine ash emitted by trash-burning incinerators—showed that it was sufficiently contaminated with toxic metals to qualify as a hazardous substance, as defined by the EPA, the New York State Department of Environmental Protection issued a remarkable pronouncement. Metal-contaminated fly ash is not a hazardous substance, it was declared, but a "special waste." This did not change the lead or cadmium content of the fly ash, of course. What it did mean was fly ash, unlike an ordinary hazardous substance, need not be consigned to an expensive Class I landfill—an additional cost that, according to a New York State official, might cripple the incinerator industry.

The EPA and other regulatory agencies have put a

great deal of effort into defining a hazardous substance. Clearly, the public must rely on the integrity of this definition in dealing with Superfund sites and a whole range of contaminated materials. The linguistic detoxification of fly ash may be a handy expedient for New York State—which may soon be emulated by the EPA as well. With Humpty-Dumpty in charge, the public has good reason to doubt who really is the "master" who decides what environmental regulations mean. The loss of public confidence is a price we pay for the failure to regulate the *cause* of environmental pollution instead of its symptoms.

None of us is ready to prescribe what should be done to remedy the environmental failure. This will require the courage to challenge the taboo against even questioning the present dominance of private interests over the public interest. It will require good science and wise policies. But I suggest that we know how to begin—by an open public discussion of what has gone wrong and why. That is the necessary first step on the road toward realizing the nation's unswerving goal: restoring the quality of the environment. ■

BOOK REVIEWS

ON THE UNITED STATES

Reflections of an Affirmative Action Baby

By Stephen L. Carter. New York: Basic Books, 1991. 286 pp., \$23.00.

Affirmative action in education and hiring has become the primary means of furthering what is thought of as the cause of justice for black people in America. But Yale Law School Professor Stephen Carter sees it as the solution of "a society that prefers its racial justice cheap."

Since racial preferment policies were instituted in the wake of the tumultuous 1960s, national debate on them has waxed and waned, linked to the general state of race relations and level of concern for the problems of black Americans. The 1991 appointment to the Supreme Court of Clarence Thomas, an inexperienced black conservative judge, heated up the discussion, and affirmative action, perhaps under various code names, is likely to be an issue in the 1992 presidential campaign.

Taking a risk, Carter holds up his own experiences as a black scholar and his wrestlings with his conscience over the years as a way into the debate. He was, he admits, a Cornell faculty brat who, although enduring some racial slurs, can hardly claim to be a victim of systemic racism. He achieved academically, but was accepted into a top law school, he announces, because he is black. Carter considers himself a wrongful beneficiary of affirmative action—although he prides himself on what he has done with this unfair edge.

Affirmative action programs err, Carter says, in treating all blacks as equally disadvantaged—in viewing race as a "proxy" for deprivation—and, citing the statistics and himself, states that racial preferences tend to benefit those who need it least: the children of the black middle class. Increasing the percentage of blacks admitted to college and entering the professions is thus "stunningly irrelevant" to the millions of black Americans struggling simply to survive poverty and the inner cities. (Relevant cures for these enormous ills are not part of the book's argument.) Along with racial preferences, Carter points out, the leaders of the civil rights movement had on their agenda health, education, housing, and jobs programs aimed at helping the most disadvantaged to better themselves. Commitment to such a vision faded under Presidents Ronald Reagan and George Bush, but affirmative action programs continue. This financially and socially inexpensive way of conciliating blacks and perhaps providing a sop to white liberal guilt, the author writes, continues to be held up as an example of American politicians' and institutions' concern for racial justice. Carter goes into many other

factors that he sees as legislating against racial preferences as they are now practiced. The policy, he says, has been drifting further and further away from its original purpose—to provide an initial opportunity—and was always meant to be part of a transitional phase on the way to equality between the races. Blacks who do make it to college, he argues, are far less likely than white students to earn a degree, indicating that deeper solutions are necessary. Carter believes, along with many on the right and some on the left, that racial preferences reinforce the sense that black people are victims who are not responsible for their own destiny. The ideal of diversity, he says, cannot be attained solely by a racial mix. Carter kicks against the current notion that blacks should receive preference in school admission and employment because they represent a peculiarly valuable "black" point of view or can speak for the oppressed in a way no white person can, as Clarence Thomas hinted he could at his nomination hearings; this denies blacks their individuality, Carter says. And the accomplishments of people of color—this preys on Carter—are tainted in other people's minds by the very existence of affirmative action.

Finally, Carter points out that income stratification among blacks in the era of affirmative action is worse than it has ever been; that over half of black children are born into female-headed households and into poverty; and that they have scant chance of performing at anywhere near the level at which affirmative action would benefit them. (Carter's figures are minimal and dated, whether because he was not terrifically concerned with the statistical basis of his argument or because he wished to emphasize the hopeful possibilities for the future of blacks rather than the grim realities.)

But the black middle class in America is growing and the percentage of blacks in positions of power is slowly increasing, partially because of affirmative action—or at a minimum, because of an official attitude about racial equality of which affirmative action is one facet. Because America needs more well-funded programs for the "truly disadvantaged" should an inexpensive one be abandoned? In the midst of recession and with the long-term economic outlook dimming, what will happen if government jettisons the centerpiece of its racial policy? And a related concern: what about the relationship to affirmative action of other racial minorities and women, whom Carter never even mentions?

Coming of age as a relatively privileged black in the decade after the great struggle for civil rights, sampling then rejecting a softened version of campus militancy, Carter freely admits that his perspective is bourgeois. (He notes that his students of color and others on cam-

poses today "seem about as likely as their white classmates to be capitalists to their very fingertips.") But Carter emphasizes his solidarity with fellow blacks, their mutual history of oppression and "triumph" (although averring that "a middle-class kid like me can barely imagine" the life of poverty-stricken blacks). His critique of affirmative action, he insists, is "fired by love" for his people.

Above everything, Carter says, the role of an intellectual is to question received wisdom and speak his or her mind on important subjects. (Although this is true and often a difficult endeavor, Carter's frequent mentions of his own intellectuality, the "sacred duty" it imposes on him, and the way dissenters are hounded is grating after a while.) He reserves some of his strongest criticism for those who tell him to "think black," who invoke the new "shibboleth" of racism, and who go so far as to ostracize him, along with other black intellectuals including Shelby Steele and Thomas Sowell, for the heresy of neoconservatism—even though Carter says, probably rightly, that the conservatives would not want him. (Carter quotes Clarence Thomas at length on the pressure from fellow blacks and on the lukewarm welcome the Republican party gives black conservatives.) "We need unity," Carter sincerely pleads, "not in the sense of groupthink but in the sense of group love."

After all his soul-searching, Carter comes down against purely racial (as opposed to socioeconomic) criteria in admissions to schools and against any racial preferences in employment for blacks with a higher education. (Social programs to ameliorate the condition of poor blacks are left to the activists and to the uncertain mercies of legislators.) In any case, Carter believes that the days of affirmative action are numbered, and that the end of the policy will present a challenge and an opportunity for American blacks.

Alice H. G. Phillips

Why Americans Hate Politics

By E. J. Dionne, Jr. New York: Simon and Schuster, 1991. 430 pp., \$22.95.

The last presidential election, according to E. J. Dionne, "left American politics at a dead end," the "conservative experiment...exhausted," the conservative coalition increasingly rickety, and the Democrats still not "getting it." George Bush's campaign summoned up the incendiary issues of race, crime, abortion, and gun control and invoked the hollow symbols of patriotism against contender Michael Dukakis, while international developments and pressing domestic concerns were almost ignored. For Dionne, the process showed that the American political industry's new "approach to politics...is not even Machiavellian; it is Pavlovian." After a bitterly divisive campaign that a majority nevertheless rated as "dull," half the registered voters did not bother to come to the polls in 1988, and three-quarters said they were happy with neither candidate.

Dionne, currently of *The Washington Post* and formerly with *The New York Times*, has been called "one of the best political reporters ever to write." This book, however, although it has a narrative thrust and plenty of pithy observations and thumbnail sketches, is far from mere reporting on recent political events or voter disgust; it is an intellectual history of American politics of the last 35 years, replete with the complicated, slippery thoughts of political thinkers and ordered by several sweeping theses of Dionne's. Its title is therefore misleading, but the ruse is justifiable; the current formulation conveys the volume's interest, excitements, and desire for a debate somewhat better than what could have been the book's subtitle: *The New Left and Neoconservatism Effectively Combine to Defeat Liberalism, 1960-1990*.

One of Dionne's theses is that, in politics, Americans tend toward the fiscally conservative but socially tolerant—which explains why they elect Republican presidents and Democratic Congresses—and that, contrary to what many believe, there is a broad consensus on what the main problems facing the country are and what approaches should be taken to many of them. A second organizing thesis of the book is that the two major political parties make expression of the consensus extremely difficult, because Republicans and Democrats are endlessly occupied in refighting the cultural wars of the 1960s.

Dionne sees that renegade decade, rather than the late Depression-New Deal years, as the formative period for American politics as it is practiced today. Neoconservatives, charging un-Americanism, among other complaints, used the social issues of the 1960s to turn against the Democratic party its traditional constituents: lower- and middle-income Americans, who were bearing the primary burden of the changes the decade brought. Thus President Franklin Roosevelt's New Deal coalition was broken up and an artificially polarized politics between left and right created. Dionne's chapters on cold war liberalism and the resulting excesses of the New Left and neoconservatism are fairly cool and removed, but the book's power begins to build when Dionne applies his ideas to civil rights, feminism, the emerging religious right, and the Reagan revolution that never really was.

In the "politics of false choices," on which Dionne says conservatives rely, with Democrats taking the defensive, real problems are seldom debated and real alternative solutions seldom presented to the electorate for a vote. We know what happens: The emphasis comes to be placed on image, rather than content. Over lengthening campaign seasons, voters are increasingly treated by election professionals as collections of low-level emotions. Those not completely taken in detach themselves from politics; to regain their attention, politicians are advised to wage ever more sensational and divisive contests at ever-increasing cost (raising their indebtedness to monied special interests, which decreases their effec-

tiveness in office, further disillusioning voters). The bitterness and false polarization of campaigns, according to Dionne, now deform policy debate after the election, making good government "all but impossible." The downward spiral, Dionne says more in sorrow than anger or ridicule, may soon result in a politics "with all the dignity of mud wrestling."

Dionne's concluding chapter on reinvigoration is the only flabby one in the book, but it is his most important. He believes that renewal in American politics must come from the creation of a new center—not a bland, conformist midsection, but a vital center that runs on debate and can reach out and act cooperatively afterward. The Democratic party, in his view, would be a better bet for forging such a coalition if it took some lessons on values and self-discipline from the neoconservatives. Despite his skill at cataloguing the failures of American politics, one feels in Dionne a passion for that politics, a respect for its past achievements—especially in the realm of civil rights—and a conviction of its continuing necessity. "[T]he nation that hates politics," his final sentence warns, "will not long survive as a democracy."

A. P.

Fat Years and Lean

by Bernard D. Nossiter. New York: Harper and Row, 1990. 272 pp., \$22.50.

While this book was written two years ago, its message has not become dated, especially given America's present economic situation. Nossiter states that his task is to show "how and why, and particularly why the lessons of the post-Depression years have been scrapped so casually."

The author, a former *Washington Post* and *New York Times* correspondent, writes that few government leaders could resist the temptation to keep cold war defense budgets inflated in order to keep the economy of the United States afloat—a legacy of the economic prosperity prodded by World War II.

The country's current economic problems, according to Nossiter, can be blamed on the economic policies begun by President Jimmy Carter and perfected by President Ronald Reagan and, one could add, today carried on by George Bush. To return to the prosperity of the earlier postwar years—which was based on a high-employment economy—would cause problems such as increased prices but would in the end remove the growing numbers of homeless from the streets and provide the "condition[s] for a decent society."

Ruth Dittmann

MISCELLANEOUS

The End of History and the Last Man

By Francis Fukuyama. New York: The Free Press, 1991. 418 pp., 24.95.

It is an irony that Hegel's philosophy of history, which gave Marx the framework for arguing that communism

is the pinnacle of human political development, has been appropriated by a conservative writer to make liberal democracy the endpoint toward which mankind has been "progressing" for the last several centuries.

Informed by the belief that history can be cobbled together to show that there is meaningful order to the broad sweep of human events—that man has, for example, progressed from primitive tribal society to liberal democracy—*The End of History* takes stock of the world at the end of one of its most violent centuries and says it has gotten "better"; the collapse of communism in Eastern Europe and the Soviet Union, along with the end to authoritarian rule in many third world states, call for a reappraisal of where mankind is in its political development.

Fukuyama makes his assessment by adopting Hegel's philosophy, which, roughly stated, holds that human thought moves forward, or progresses, through time with the dialectical struggle between ideas. Each new idea that emerges from the struggle builds on the previous one, until an end is reached in which there is no more "contradiction" between ideas. Human thought would then have reached its highest level of development. The world would continue to change—chronological history would continue—but History, understood as the development of human, especially political thought, would be at an end.

For Marx, who used this analysis with a focus on man's economic progress, the end was a marketless society in which all were economically democratic. For Hegel, the end was the French Revolution, in which the people overcame their rulers and governed themselves; in Hegel's terminology, the "slaves" overcame the "masters," thus ending the dichotomous conflict that had motivated human history, and creating the "democratic" state toward which mankind had been slowly evolving. Fukuyama believes Hegel ended History too early, but now that the slaves of Eastern Europe have overthrown their Communist masters, we have reached it.

Of course, this is premium metaphysics: a system with an ideal end and a logical mechanism that leaves no room for any other explanation—at least within the system. As the British philosopher Karl Popper remarked about Hegel's dialectical achievement, "Any development whatever will fit the dialectic scheme; the dialectician need never be afraid of any refutation by future experience."

This is a much simplified reduction of Fukuyama's argument, but it is the core of the book. And, true to Popper's criticism, the book's metaphysics lets it deflect arguments that this century's defining political events (the Russian Revolution, Nazism, and fascism) need to be examined as more than aberrations on the road to liberal democracy—that they are not simply blips in the history of History. But even using Fukuyama's reading of Hegel, it can be argued that Nazism was a reversion—a twentieth century reversion—to the master/slave

antagonism. If progress is the universal march of the democratic idea, why did the German political and economic elites take on the mantle of "masters" again with the collapse of the democratic Weimar Republic? If Fukuyama's historical metaphysics is taken at face value, the development of a new master/slave conflict has already happened at least twice since Hegel declared that History had ended—the rise of Nazi Germany and then Stalinism in the Soviet Union—and it will undoubtedly happen again if the social, economic, and political conditions are right, as they are now in the former Soviet Union. History, it would seem, will end when mankind does, and only then can there be a pronouncement on the final form of mankind's political development.

The book's other flaw is Fukuyama's premature pronouncement that the proof that this truly is the end of History is liberal democracy's preeminence worldwide. He dismisses the fact that the East is still red, claiming that none of the Asian Communist countries is truly Communist anymore—a fact that should hearten the Tiananmen Square demonstrators, especially those who have been sentenced to prison. Fukuyama and others seem to believe that China's "residual" communism, along with that of Laos, Vietnam, North Korea, and Cambodia, will implode eventually, leaving liberal democracy the logical outcome.

But this is a false teleology, one that bases its argument on the recent political shifts of other third world countries. Printing a chart that lists the countries that have adopted the moniker "democracy" as of 1990 is not valid empirical evidence that liberal democracy is ascendant. In many of the countries listed democracy has only a tenuous hold, especially those in Central America, and to call Lebanon democratic is inane when Syria treats Beirut's principal political figures as puppets. Moreover, the military may have discovered that it lacks legitimacy (Fukuyama's explanation for the end of military rule in most countries), but most of them have not accepted that they should not intervene if the government fails to deliver, as Argentina's and Venezuela's recently aborted coups show.

When this is placed against the book's insistent ruminations on the failures of central planning and socialism/communism, and the rejection of government involvement in social issues, it becomes obvious that another agenda is at work here, one that, in a sophisticated and dispassionate manner, advances ideas associated with the neoconservative movement. This makes the irony of adopting Hegel for this task doubly astounding, since it requires Fukuyama to abandon the entire body of thought on the development of liberal democracy and the market developed by philosophers such as Hume, Locke, and Mill, writers who have traditionally anchored the views of the movement.

Winston Churchill once said that democracy may not be the best political system ever devised, but it is the best we have so far. That is the most apt demonstration of its

value and place in the world, not a philosophical treatise that is grounded in an attempt to give a movement's ideas a metaphysical basis.

William W. Finan, Jr.

Who's Who of Women in World Politics

London: Bowker-Saur Ltd., 1991. 311 pp., \$95.00.

This valuable reference work, generated after 20 years of research by Rutgers University scholars, is not only a compilation of names, countries, and statistics but also a testament to how far women have collectively come in terms of holding office, and how far they have yet to go before their participation approaches that of the other half of humanity. The compilers recognize the practical use that may be made of providing names, addresses, and telephone numbers of the women listed, in the hope that publicizing their existence will facilitate the creation of a global "old girls' network."

The heart of the book is the alphabetical listing of women, including their current and past positions in and out of government, political affiliation, educational and family background, and awards. Flipping through the pages reveals the names of women spanning the globe. In fact, there are several notable examples of women in third world countries reaching the highest offices in their government, whereas many Western countries have yet to elect a female executive.

Yet the statistical matter and the maps make it abundantly clear that the so-called glass ceiling exists in politics just as surely as it does in business. As of July 1991, female participation in national legislatures averaged around 10 percent—even in developed countries only 10.4 percent of Cabinet posts were filled by women (the figures for Asia were about one-third this level, for Africa about half), and a mere 2.4 percent of all prime ministerships were held by women. One can only hope that in the next edition these numbers will be higher.

Debra E. Soled

ALSO RECEIVED

Explaining American Politics: Issues and Interpretations

Edited by Robert Williams. New York: Routledge, 1991. 195 pp., \$74.00, cloth; \$17.95, paper.

The Bush Presidency: First Appraisals

Edited by Colin Campbell, S.J., and Bert A. Rockman. Chatham, N.J.: Chatham House Publishers, 1991. 308 pp., \$25.00, cloth; \$16.95, paper.

The Columbia Dictionary of Political Biography

By The Economist. New York: Columbia University Books, 1991. 335 pp., \$40.00.

Moving the Mountain:

The Women's Movement in America since 1960

By Flora Davis. New York: Simon and Schuster, 1991. 604 pp., \$27.50.

THE MONTH IN REVIEW

FEBRUARY 1992

INTERNATIONAL

Economic Cooperation Organization (ECO)

Feb. 17—The former Soviet republics of Azerbaijan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan are granted membership in the ECO, which was founded by Iran, Pakistan, and Turkey in 1963. Yesterday Turkish President Turgut Ozal delivered a speech at an ECO economic summit in Teheran calling for a common market modeled on the European Community; today, in a speech on the 2d day of the meeting, Iranian President Hashemi Rafsanjani calls the ECO "a large Islamic family."

European Community (EC)

(See *Intl, ECO, UN; Czechoslovakia*)

Group of Seven

(See *Canada*)

International Atomic Energy Agency (IAEA)

Feb. 12—After a weeklong mission to Iran, IAEA officials announce that Iran's nuclear programs appear to be for peaceful uses; press reports in the fall of 1991 suggested that Iran was attempting to acquire nuclear weapons technology from China and other countries and that it might be close to developing an atomic bomb.

International Bank for Reconstruction and Development (World Bank)

Feb. 6—*The New York Times* reports that the Bank and other international aid organizations have assembled a \$672-million assistance program for Ethiopia's reconstruction after almost 20 years of civil war.

International Terrorism

Feb. 27—A French judge issues arrest warrants on murder charges for 4 alleged members of Palestinian terrorist Abu Nidal's Black September organization; the charges stem from a 1988 attack on the Greek cruise ship *City of Pors* that killed 9 people and wounded more than 80, many of them French.

Feb. 29—In an interview with *The New York Times*, Moroccan King Hassan II says an international court for terrorism cases should try 2 Libyans accused of blowing up an American airliner over Scotland in 1988 and a French airliner over the Sahara in 1989; he also says he is not prepared to support sanctions against Libya, as proposed by the US, in order to force the extradition of the 2 men.

Middle East Peace Conference

Feb. 24—The 4th round of peace negotiations begins in Washington, D.C., with separate talks between Palestinian, Jordanian, Lebanese, and Syrian delegations and Israeli delegates.

Feb. 26—Israel presents the Palestinian delegation with a draft plan for self-rule in the occupied West Bank and Gaza Strip;

under the proposal, resident Palestinians would eventually administer municipal and religious affairs, local police and courts in nonpolitical cases, education, health care, industry, and commerce, among other areas; Israel would maintain control of the territories and internal and external security; Israeli residents of the territories would not be subject to Palestinian jurisdiction, and Israeli settlement would be allowed to continue. The Palestinians reject the plan as "preposterous." In a previous round of talks last month, the Palestinians presented Israel with a plan for autonomy in East Jerusalem as well as the West Bank and Gaza Strip; their proposal calls for complete Palestinian control over those territories, including control over internal security and new Jewish settlement, but leaves unclear how Jewish settlers already in the territories would be governed.

North Atlantic Treaty Organization (NATO)

(See *Canada; US, Foreign Policy*)

Organization of American States (OAS)

Feb. 25—In Washington, D.C., exiled Haitian President Jean-Bertrand Aristide and René Théodore, a former opponent, sign an accord pledging to form a "government of national unity" that would allow Aristide to return as president with Théodore as prime minister; the accord also grants a general amnesty for those involved in the September 1991 coup that overthrew Aristide; the pact is part of an OAS-mediated compromise with the Haitian parliament to restore Aristide to his post; no deadline is set for Aristide's return to the country.

Palestine Liberation Organization (PLO)

(See *Lebanon*)

United Nations (UN)

(See also *Pakistan; Taiwan; Yugoslavia*)

Feb. 5—The Security Council condemns Iraqi President Saddam Hussein's decision yesterday not to proceed with the sale of \$1.6-billion worth of Iraqi oil authorized under a UN plan; the Council says Saddam "bears full responsibility" for current shortages of food and other necessities in Iraq. The UN plan, developed as a condition of the April 1991 resolution that formally ended the Persian Gulf war, allocates two-thirds of Iraqi oil profits for humanitarian aid to be distributed in Iraq by the UN, and one-third for war reparations payments; Iraq cannot legally sell any of its products abroad without UN approval.

Feb. 8—In Islamabad, Pakistan, three moderate Afghan guerrilla groups announce their support for a UN plan to end the 13-year civil war in Afghanistan; the plan calls for an assembly of representatives from all Afghan parties that would form an interim government and schedule elections. Three radical Islamic Afghan guerrilla groups based in Pakistan have previously rejected the plan.

Feb. 21—The Security Council votes unanimously to dispatch a 14,400-member UN peacekeeping force to Yugoslavia; the force will oversee a cease-fire declared in January in the civil war that began in June 1991, and protect some 13 Serbian-minority enclaves in Slovenia and Croatia; under the agreement, the Yugoslav army will disarm irregular troops in the enclaves. This will mark the 1st deployment of UN troops in continental Europe.

Feb. 27—At UN talks on global warming preparatory to a June "Earth Summit" in Rio de Janeiro, the US announces steps to limit emissions of heat-trapping gases that "compare favorably" with those planned by European countries.

Feb. 28—The Security Council unanimously authorizes Secretary General Boutros Boutros-Ghali's plan for a \$1.9-billion peacekeeping operation in Cambodia; under the plan, a 22,000-member force to be deployed by August would disarm some 230,000 fighters belonging to 4 factions and supervise civil and police administration; voter registration would begin in October for elections scheduled for April 1993. The plan also envisions expenditures of \$800 million for refugee resettlement.

The Security Council receives a letter from Iraqi Foreign Minister Mohammed Said al-Sahai that says Iraq should be allowed to keep equipment used for the production of Scud missiles, which the UN has ordered destroyed under the terms of the resolution ending the Gulf war, if the equipment can be converted for peaceful uses.

World Health Organization (WHO)

Feb. 12—A WHO report on acquired immune deficiency syndrome (AIDS) issued today says between 10 million and 12 million people worldwide, including 1 million children, have been infected with the human immunodeficiency virus (HIV), which causes AIDS; the report says 90% of new transmissions result from heterosexual intercourse.

ABU DHABI

Feb. 21—The government, the main shareholder of the failed Bank of Credit and Commerce International (BCCI), agrees to settle claims against it resulting from the bank's collapse last year; the agreement calls for the government to pay as much as \$2.2 billion to BCCI creditors to settle claims totaling about \$10 billion. Repayment will begin next year.

AFGHANISTAN

(See Intl, UN)

ALGERIA

Feb. 5—Officials report that clashes between Islamic fundamentalists and government security forces in Batna over the last 2 days have left at least 8 people dead and 57 injured; the violence began after fundamentalist youths protested the imposition of short prison sentences on 2 Muslim preachers for violating a ban on political speeches in mosques.

Feb. 7—Confrontations between rioters and security forces leave at least 11 people dead across the country.

Tadjini Haddam, a former rector of the Algerian Mosque in Paris, resigns from the ruling High State Council; he says the clashes are to be expected since the government has arrested most of the leadership of the fundamentalist Islamic Salvation Front (FIS).

Feb. 8—Security forces open fire on demonstrators in Algiers;

more than 35 people have been killed and 100 injured in the last 2 days. Protesters set up barricades throughout the capital.

Feb. 9—The government announces the immediate imposition of a yearlong state of emergency that suspends virtually all constitutional rights. Shortly before the announcement, security forces seize the FIS's headquarters in Algiers.

Feb. 10—FIS supporters ambush and then execute 8 police officers in Algiers.

Feb. 14—Five people are killed by an explosion in Algiers; the cause of the blast is unknown.

Feb. 22—The government names 6 new Cabinet ministers, including 2 Muslims who reportedly have links to the FIS.

ARGENTINA

Feb. 3—President Carlos Saúl Menem signs an executive decree ordering the opening of secret government files on Nazi war criminals who escaped to Argentina at the end of World War II.

Feb. 10—*The New York Times* reports that on January 1 Argentina abandoned the austral as its currency and returned to the peso; the austral, adopted in June 1985, had depreciated 1.39 million percent against the US dollar by the end of 1991. This is the 5th time in 21 years that the country's currency has been switched.

BOLIVIA

(See US, Foreign Policy)

CAMBODIA

(See Intl, UN)

CANADA

Feb. 21—Canada announces that it has opened a \$44-million credit line to Ukraine for the purchase of Canadian goods after the republic agreed to assume partial responsibility for the debts of the former Soviet Union; Canada's action represents a break with the US, which maintains that all financial dealings with the CIS should be coordinated through the Group of Seven.

Feb. 25—The government discloses in its budget for the next fiscal year that Canada will withdraw all its NATO combat forces from Europe by the end of 1994. The proposed withdrawal has angered the US and NATO.

CHINA

(See also Intl, IAEA; Taiwan; US, Legislation)

Feb. 28—*Ta Kung Pao*, a Hong Kong newspaper under Chinese government control, reports that China has sentenced 11 pro-democracy protesters recently tried in connection with demonstrations in 1989 and later protests; the sentences range from immediate release (sentences in which time served since their arrest is deducted) to 5 years in prison.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

(See also Intl, ECO; Canada; Germany; Saudi Arabia; US, Military)

Feb. 1—Reuters reports renewed fighting between Armenians and Azeris in the Armenian enclave of Nagorno-Karabakh in Azerbaijan; 4 people are reported killed and 63 injured. Several thousand demonstrators in Baku, Azerbaijan, demand a stronger response from the country's government,

and some ask President Ayaz Mutalibov to resign.

Feb. 6—The Ukrainian parliament votes to reject a demand by the Russian parliament that the Crimean peninsula be returned to Russian control.

In Paris, Russian President Boris Yeltsin and French President François Mitterrand sign a treaty on cooperation between their 2 countries.

Feb. 7—The Itar-Tass news agency announces the release in Perm of what the Interior Ministry calls the last 10 political prisoners in Russia; all 10 were imprisoned after being convicted of treason and were pardoned last month by President Yeltsin.

In Moscow, Russian Vice President Aleksandr Rutskoi tells the nationalist Congress of Civic and Patriotic Forces that Yeltsin's economic reforms will lead to "economic genocide"; he says the government's economic advisers, both Russian and Western, are pursuing "revolution at any price."

In Manezh Square, Moscow, several hundred people demand that the Russian government resign because of the rapid rise in prices and declines in living standards.

Feb. 9—Rival rallies are held in Moscow: one is pro-Communist, denouncing Yeltsin and his economic reforms at the Kremlin, and the other, at the parliament building about a mile away, is expressing support for the president.

Feb. 10—At least 24 people are killed in renewed fighting in Armenia between Azeris and Armenians over Nagorno-Karabakh.

Feb. 15—The leaders of the 11 members of the CIS end a 2-day summit meeting in Minsk; they sign several economic cooperation agreements and reiterate their commitment to unified control of the former Soviet army's nuclear weapons, under Yeltsin's supervision. At the meeting, Ukraine, Azerbaijan, and Moldova announce that they will create their own conventional armies.

Feb. 16—The Interfax news agency reports that at least 20 people have been killed and several injured in the last 2 days in fighting in Nagorno-Karabakh after Azeri forces shelled Stepanakert, the capital of the enclave; Armenian leaders in the enclave have asked troops of the former Soviet army stationed in the area to intervene, but their commander has refused.

Feb. 22—At least 29 people are reported killed in fighting in Nagorno-Karabakh, 20 of them in an Azeri missile attack.

Feb. 23—At Mayakovsky Square in Moscow, about 5,000 anti-government protesters demanding the restoration of the Soviet Union clash with police.

Feb. 26—Reuters reports that Armenian troops have overrun Khojaly, an Azeri town in Nagorno-Karabakh; much of the town is destroyed; the interior minister of Azerbaijan says almost 100 Azeris were killed and 250 others injured in the battle. Azeri forces retaliate with missile attacks on Stepanakert.

Feb. 28—After 36 years Russia and South Africa reopen diplomatic relations.

Marshal Yevgeny Shaposhnikov, the commander of the CIS forces, orders CIS troops to withdraw from Nagorno-Karabakh for their safety when they come under fire at their military base in Stepanakert. Heavy fighting continues between Armenians and Azeris in the enclave.

COLOMBIA

(See *US, Foreign Policy*)

CZECHOSLOVAKIA

Feb. 27—President Vaclav Havel and German Chancellor Helmut Kohl sign a treaty of friendship and "neighborly relations" in Prague; with the signing, Germany will support Czechoslovakia's entry into the EC. The treaty does not address the still contentious issues of compensation for Germans whose property in Czechoslovakia was confiscated when they were expelled from the country after World War II or Czechoslovakia's claims against Germany for damages incurred during the war.

ECUADOR

(See *US, Foreign Policy*)

ETHIOPIA

(See also *Intl, World Bank*)

Feb. 17—Government officials report that yesterday the remains of Emperor Haile Selassie were found in a secret grave on the grounds of the Imperial Palace beneath the offices of former President Mengistu Haile Mariam; the emperor died under mysterious circumstances in 1974 after being overthrown by Mengistu, who was himself overthrown in May 1991. The government is conducting grave-digging operations to expose the extent of Mengistu's repression against his opponents.

FRANCE

(See also *Intl, International Terrorism; CIS*)

Feb. 1—Popular Front for the Liberation of Palestine leader George Habash leaves France after government-appointed doctors say he is too ill to be questioned by authorities regarding his involvement in terrorist incidents. Habash suffered a stroke and came to Paris from Tunisia on January 29 for medical treatment.

Feb. 11—The government survives a no-confidence vote brought by conservative opposition parties to protest Habash's entry into France; 5 senior officials of the Interior and Foreign ministries were fired because of the incident.

GERMANY

(See also *Czechoslovakia; US, Foreign Policy*)

Feb. 19—The government forgives half the \$5.5-billion debt Poland owes it, fulfilling an international debt-relief agreement with Poland reached last year.

Feb. 29—Foreign Minister Hans-Dietrich Genscher tells Japanese officials in Tokyo that Germany is willing to mediate between Japan and Russia to resolve their long-standing dispute over the Kurile Islands; Japan has been reluctant to offer large-scale aid to Russia and the other members of the CIS until the dispute over the islands, which were seized by the Soviet Union at the end of World War II, is settled.

HAITI

(See *Intl, OAS; US, Foreign Policy, Legislation*)

INDIA

(See also *Pakistan*)

Feb. 21—Results of the national and state parliamentary elections held in Punjab state for the 1st time in 5 years show that the ruling Congress party won, but voter turnout was the lowest in Indian history because of intimidation by Sikh militants.

INDONESIA

Feb. 27—An army commander says 3 officers have been dismissed and 8 officers and soldiers will be tried for killing several dozen demonstrators protesting Indonesia's occupation of East Timor in Dili, the capital of East Timor, in November; the number of casualties claimed by the government has not been confirmed, but witnesses and human rights groups say as many as 200 people were killed.

IRAN

(See *Intl, ECO, IAEA*)

IRAQ

(See *Intl, UN; US, Foreign Policy*)

IRELAND

Feb. 6—A majority of the ruling Fianna Fail party votes for Albert Reynolds to succeed Charles Haughey, who announced his resignation as party leader on January 30.

ISRAEL

(See also *Intl, Middle East Peace Conference; Lebanon; US, Foreign Policy*)

Feb. 15—Three Israeli soldiers are killed while they sleep at an army camp in Israel a few miles from the northern section of the Israeli-occupied West Bank. Arab guerrillas are believed responsible for the killings.

Feb. 20—Former Prime Minister Yitzhak Rabin defeats Shimon Peres in the Labor party's 1st primary to decide party leadership, winning 40% of the vote in a 4-candidate contest. Rabin will lead the opposition in parliamentary elections scheduled for June 23.

Feb. 29—Two Palestinians are shot to death by Israeli forces in violent demonstrations in the Gaza Strip.

JAPAN

(See also *Germany*)

Feb. 1—Fumio Abe, a former Cabinet minister and close political associate of Prime Minister Kiichi Miyazawa, is indicted on charges of providing information on future development projects in exchange for bribes from the Kyowa Corporation, a steel-frame manufacturer, between August 1989 and January 1990.

Feb. 14—Hiroyasu Watanabe, a former president of the Tokyo Sagawa Kyubin trucking firm, and 3 other executives of the company are arrested on charges of arranging nearly \$100 million in illegal loans to a medical supply and real estate conglomerate that used the funds to bribe some 130 politicians, including members of the ruling Liberal Democratic party.

JORDAN

(See *Intl, Middle East Peace Conference*)

LEBANON

(See also *Intl, Middle East Peace Conference*)

Feb. 16—Israeli forces stage a helicopter attack over southern Lebanon, killing Sheik Abbas Musawi, the leader of the pro-Iranian Party of God (Hezbollah), and 6 others as they are leaving the town of Jibchit in a convoy.

Retaliating for an attack in Israel yesterday that killed 3 soldiers, Israel stages air strikes against 2 Palestinian refugee

camps in southern Lebanon, killing 4 people and injuring about a dozen others. Israel now says the PLO's Fatah faction was responsible for yesterday's killings in Israel.

Feb. 17—Muslim guerrillas and Israeli forces trade heavy artillery fire in Israel's self-proclaimed security zone in southern Lebanon; some rockets fired by the Muslim militias fall in northern Israel; no casualties are reported.

Feb. 18—The Party of God chooses Sheik Hassan Nasrallah, who led the Islamic Resistance Movement, the military wing of the party, to succeed Musawi.

Artillery attacks continue in southern Lebanon.

Feb. 21—After a daylong incursion, Israeli forces withdraw from 2 villages 1 mile north of Israel's security zone in southern Lebanon; Muslim militia reenter the villages and launch new rocket attacks against towns in northern Israel, killing 1 Israeli.

Feb. 23—After agreeing yesterday to end rocket attacks on Israel, fighters from the Party of God and Amal, the 2 main Shiite militias, begin to withdraw from villages in southern Lebanon.

LIBYA

(See *Intl, International Terrorism*)

MEXICO

(See *US, Foreign Policy*)

PAKISTAN

(See also *Intl, ECO*)

Feb. 7—Ending a 2-day visit to the United States, Foreign Secretary Shahryar Khan acknowledges at the UN that Pakistan has the capacity to produce an atomic bomb, but will not build one; he says his country also will not transfer the technology to any other country. The US Congress cut off aid to Pakistan last year because of concern over its nuclear capabilities. Pakistan has refused to sign the 1968 Nuclear Non-Proliferation Treaty and permit inspection of its nuclear plants by international monitors.

Feb. 10—Pakistani troops erect barricades, dismantle bridges, and set off landslides to prevent Kashmiri Muslim separatists from marching into Indian-controlled areas of Kashmir; the Indian army says it will shoot anyone crossing the cease-fire line dividing the area in Kashmir under Indian supervision from that under Pakistani control.

Feb. 12—Pakistani police fire on Kashmiri marchers approaching the border of Indian-controlled Kashmir near the town of Chokathi, killing at least 12 and injuring at least 100.

Feb. 13—Kashmiri separatists call off their march into Indian-controlled Kashmir.

PERU

(See *US, Foreign Policy*)

PHILIPPINES

Feb. 25—Imelda Marcos tells reporters in Manila that the government has granted her permission to return the body of her husband, the late President Ferdinand Marcos, to Ilocos Norte province from Hawaii for burial. Marcos died in exile in 1989.

POLAND

(See *Germany*)

SAUDI ARABIA

Feb. 21—The government announces that it has established diplomatic relations with the former Soviet republic of Uzbekistan in Central Asia.

SOMALIA

Feb. 14—Representatives of the two factions that have been fighting for control of Mogadishu since November agree to an immediate cease-fire in the capital and promise to negotiate a peace plan at the end of the month. More than 20,000 people have been killed or injured in and around the city since fighting broke out between supporters of General Mohamed Farrah Aidid and Mohamed Ali Mahdi.

Feb. 29—UN-sponsored peace talks involving the two factions in the civil war begin in Mogadishu.

SOUTH AFRICA

Feb. 19—In a parliamentary by-election, the ruling National party loses a seat to the Conservative party; the seat had been considered safe since the National party won it by a wide margin in 1989. Although it does not change the political balance in parliament, the defeat demonstrates the success of Conservative efforts to marshal white opposition to the government's dismantling of apartheid.

SYRIA

(See *Intl, Middle East Peace Conference*)

TAIWAN

Feb. 23—In Taichung, about 50,000 demonstrators demand that Taiwan become a member of the UN; the Taiwanese government held the Chinese seat until 1971, when it was given to the government of the People's Republic of China.

TURKEY

(See *Intl, ECO*)

UNITED KINGDOM (UK)

Great Britain

Feb. 28—A bomb explodes at the London Bridge railway station during the morning rush hour; 28 people are injured.

Feb. 29—The Irish Republican Army takes responsibility for yesterday's blast. A 2d explosion today in central London causes some damage, but no injuries are reported.

Hong Kong

Feb. 3—Twenty-one people are burned to death in a riot involving North and South Vietnamese gangs in a refugee camp; some 58,000 Vietnamese boat people live in the camps.

UNITED STATES (US)

Administration

Feb. 1—*The New York Times* reports a reorganization of the White House staff that includes the naming yesterday of Republican National Committee chairman Clayton Yeutter to the newly created Cabinet-level post of chief domestic policy adviser.

Feb. 11—In an executive order authorized under the 1990 Clean Air Act, President George Bush says that by 1996 American manufacturers must end virtually all production of chlorofluorocarbons (CFCs), chemicals that deplete the

protective ozone layer of the upper atmosphere; the Montreal Protocol, a 1987 international agreement to which the US is a signatory, stipulated that CFC production must end worldwide by the year 2000; on February 3 the National Aeronautics and Space Administration (NASA) announced study results showing record levels of CFCs over the Northern as well as the Southern Hemisphere and predicting ozone depletion over populated areas in the fall.

Feb. 13—NASA chief Richard Truly resigns; administration officials say the resignation was forced by the White House because of differences over space policy.

Feb. 14—The Federal Bureau of Reclamation, which operates an irrigation system that provides 25% of the water used for agriculture in California, announces that a 6-year drought in the state has caused reserves to fall to a level at which it can by law supply only urban areas and endangered wildlife habitats; the bureau says it expects its water deliveries to farmers this year to be 70% lower than the amount supplied in 1991.

Feb. 18—The Federal Reserve Board announces that it is lowering its reserve requirements for banks, from 12% to 10% of deposits in transaction accounts; the change, which will take effect April 2, is aimed at stimulating the economy by increasing bank lending.

Feb. 20—A Census Bureau report released today shows that the percentage of middle-income Americans fell from 71.2% in 1969 to 63.3% in 1989, and that the percentage of low-income Americans rose from 17.9% in 1969 to 22% in 1989; the study defines low incomes for 1989 as less than half the median income of \$18,576, adjusted for family size, and high incomes as greater than twice the median.

ECONOMIC INDICATORS February Reports

	Change from previous period	Total
Gross Domestic Product 4th quarter 1991, revised	+0.8%	\$4.87 trillion (annual rate)
Merchandise Trade Deficit December	+42%	\$5.94 billion
Consumer Price Index January	+0.1%	138.1 points
Unemployment January	unchanged	7.1% (8.9 million)
Leading Economic Indicators January	+0.9%	146.5 points
Consumer Confidence January Lowest since 1974	-8.6%	46.3 points

Sources: Commerce and Labor Department reports; news reports.

Foreign Policy

(See also *Intl, International Terrorism; UN; Canada*)

- Feb. 1—At Camp David, Maryland, President Bush and Russian President Boris Yeltsin sign a declaration pledging “friendship and partnership” in US-Russian relations.
- Feb. 3—At Port-au-Prince’s harbor, 381 Haitian refugees forcibly repatriated from the US military base at Guantánamo Bay, Cuba, are fingerprinted and interviewed by Haitian authorities on their arrival; on January 31 the US Supreme Court lifted a Miami federal district court’s injunction barring forced returns of Haitians; of the approximately 15,000 Haitian refugees currently in US custody, only about one-third are considered eligible for political asylum. Last month Amnesty International issued a report on Haiti that found that hundreds of extrajudicial murders, beatings, and detentions have occurred since a military coup there last September.
- Feb. 4—The US announces a “selective relaxation” of its trade embargo against Haiti to help revive the Haitian economy; the embargo began November 5.
- Feb. 8—Administration officials confirm that last fall Bush submitted to congressional oversight committees a presidential finding required for the funding of US covert actions in Iraq aimed at the overthrow of President Saddam Hussein; the officials say contacts with Iraqi military and opposition leaders began in November.
- Feb. 12—During a visit to the former Soviet republics in Central Asia by Secretary of State James Baker 3d, the presidents of Azerbaijan and Turkmenistan tell him that they will uphold democracy, minority and human rights, and free markets in their countries.
- Feb. 16—During Baker’s visit to Uzbekistan, President Islam Karimov declares that he accepts US conditions for establishing diplomatic relations, which include a commitment to free elections, human rights, and the creation of free markets. Karimov was elected president in a contest last December that excluded several opposition candidates.
- Feb. 17—At a joint news conference in Moscow, Baker and Yeltsin announce that the US, Russia, and Germany will establish an international institute where former Soviet nuclear scientists can engage in research for peaceful purposes; the US will provide \$25 million for the institute from the \$400 million recently appropriated by Congress toward nuclear disarmament in the CIS.
- Feb. 18—In Moscow, Baker and Russian Foreign Minister Andrei Kozyrev announce that they will begin meeting on March 10 in Brussels to work out a strategic arms accord for Bush and Yeltsin to sign when the 2 leaders meet for an official summit in July; Baker says a joint NATO-CIS ballistic missile early-warning center will be discussed.
- After meeting with Bush in Washington, D.C., President Mircea Snegur of the former Soviet republic of Moldova says that the US and his country have established diplomatic relations.
- Feb. 24—In testimony before the House Foreign Operations subcommittee, Baker says the US will guarantee \$10 billion in loans to Israel for the resettlement of Jews from the former Soviet Union only if Israel freezes construction of settlements in the West Bank and Gaza Strip.
- Feb. 27—In San Antonio, Texas, Bush meets with leaders from 6 South and Central American countries at a summit on the illegal drug problem; the US and Colombia yesterday agreed

that \$75 million in US aid to the Colombian army to stem the cocaine trade will be given instead to the country’s narcotics police; Bolivia asks that \$70 million in US military aid be used to encourage coca farmers to grow legal crops. Mexico, Ecuador, Peru, and Venezuela also attend. In a communiqué issued at the conclusion of the meeting, the countries say they will modify their banking and fiscal control laws to prevent money laundering.

- Feb. 28—The State Department issues its annual report on the worldwide production and distribution of illegal drugs. According to the report, US and Latin American governments seized nearly 300 metric tons of cocaine in their countries in 1991, a record amount. The report also estimates an increase of nearly 6% in the international production of opium, from which heroin is made; the expansion has occurred mainly in Myanmar and Afghanistan, but the report notes the discovery last year that opium poppies are being grown in Colombia for Colombian cocaine cartels.

Labor and Industry

- Feb. 17—A federal district court judge in Manhattan, NY, confirms that Michael Milken of the bankrupt securities firm Drexel Burnham Lambert has tentatively agreed to add \$500 million to a \$400-million compensation fund he had established for victims in securities fraud cases for which he was sentenced to a 10-year prison term last year; other former Drexel executives will contribute \$300 million and Drexel’s insurers \$100 million to settle outstanding civil lawsuits.
- Feb. 24—The General Motors Corporation reports that it lost \$4.45 billion last year—the largest loss in American corporate history; the loss includes a one-time, \$2.8-billion charge against earnings for the closing of 21 GM manufacturing plants over the next 3 years. Among the other Big 3 automakers, the Chrysler Corporation has announced 1991 losses of \$795 million and the Ford Motor Company a \$2.25-billion loss.

Legislation

(See also *Pakistan*)

- Feb. 4—By a 404-8 vote in the House and a 94-2 vote in the Senate, Congress approves a 13-week extension of unemployment benefits for 2 million jobless workers; added to extensions authorized by Congress in November, this brings unemployment coverage in states with the highest levels of jobless people to a record 59 weeks.
- Feb. 19—The Senate passes a 400-page energy bill by a vote of 94 to 4; the bill stipulates that 90% of vehicles in government and commercial fleets must be powered by alternative fuels by the year 2000; it also streamlines licensing for nuclear power plants and interstate natural gas pipelines.
- Feb. 21—Voting 93 to 1, the Senate approves a bill that increases by 50% the maximum annual amount for grants for college students, from \$2,400 to \$3,600, expands eligibility to students from families with annual incomes of up to \$42,000, from \$30,000, and increases funds available each year for student loans from \$13.4 billion to an estimated \$18 billion.
- Feb. 25—In a compromise between measures it and the House passed last year, the Senate votes, 59 to 39, to impose conditions on most-favored-nation (MFN) trade status for China when MFN comes up for renewal in June; the bill would condition the renewal on China’s releasing from prison all

dissidents jailed for nonviolent protests and on a presidential certification that China has reduced arms exports and opened its markets to American products.

Feb. 27—The House, voting 221 to 209, approves a 6-year tax bill. Under the bill's provisions, people earning less than \$13,000 a year would receive credits of up to \$200; the maximum tax rate would be raised from 31% to 35% for people with annual taxable incomes over \$85,000 and couples with incomes over \$145,000; the bill also includes indexing of capital gains taxes and other tax cuts intended to stimulate the real estate market and the economy in general; the president says he will veto the bill.

By a vote of 217 to 165, the House approves a bill that would halt the forced repatriation of illegal Haitian refugees for 6 months; about 6,400 refugees have been returned to Haiti recently, while about 5,300 have been granted the right to apply for political asylum.

Military

Feb. 18—The Defense Department acknowledges a collision of a Navy nuclear submarine with one from the former Soviet navy in the Barents Sea near Murmansk, Russia, on February 11; no damage is reported to the US submarine, and only minor damage to the former Soviet vessel.

Politics

Feb. 1—Political consultant Richard Bond becomes the chairman of the Republican National Committee.

Feb. 11—Results from the 1st official test of the 1992 race for the Democratic and Republican presidential nominations, yesterday's Iowa party caucuses, show that Iowa Senator Tom Harkin won 76.5% of the Democratic vote; President Bush was unchallenged in Republican caucuses.

Feb. 12—In Washington, D.C., Bush, with Vice President Dan Quayle present, formally announces his candidacy for the Republican nomination for president.

Feb. 19—Results from yesterday's New Hampshire presidential primary show that Bush received 53% of the Republican vote and political commentator Patrick Buchanan 37%. Among Democratic party candidates, former Massachusetts Senator Paul Tsongas captured 33% of the vote, Arkansas Governor Bill Clinton 25%, Nebraska Senator Bob Kerrey 11%, Harkin 10%, and former California Governor Jerry Brown 10%; 4% of Democrats cast write-in votes for New York Governor Mario Cuomo, who has announced that he is not a candidate.

Feb. 24—With 97% of precincts reporting, results from yesterday's Maine caucuses show that Tsongas won 30% of the Democratic vote, Brown 29%, Clinton 15%, Harkin 5%, and Kerrey 3%, and that 16% of Democrats voted for "uncommitted" delegates; only 5% of the state's registered Democrats cast ballots. Republican party officials say Bush captured about 90% of the delegates and Buchanan 5% in their party caucuses.

Feb. 27—Final results from the South Dakota presidential primary, held February 25, show that Kerrey captured 40% of the Democratic vote, Harkin 25%, Clinton 19%, Tsongas 10%, and Brown 4%; Bush, unopposed on the Republican ballot after Buchanan lost a court bid to have his name

included, garnered 69% of the vote, while an uncommitted slate of Republican delegates won 31%.

Supreme Court

Feb. 25—In a 7-2 decision overturning a 1990 ruling by a federal appeals court in New Orleans, the Court rules that use of force by a prison guard against an inmate may be unconstitutional even if it does not cause serious injury; in the dissenting opinion, Justice Clarence Thomas, joined by Justice Antonin Scalia, says that the 8th Amendment, which prohibits cruel and unusual punishment, "should not be turned into a national code of prison regulations."

Feb. 26—The Court unanimously rules that students may sue for damages for sexual harassment and other forms of sex discrimination under Title IX of a 1972 federal law forbidding sex discrimination in schools that receive federal funds.

VENEZUELA

(See also *US, Foreign Policy*)

Feb. 4—Rebel soldiers fail in an attempt to overthrow President Carlos Andrés Pérez; 78 people are reported killed, and 300 rebel troops are arrested. After the coup attempt is put down, the government temporarily suspends some constitutional civil rights guarantees, bans public demonstrations, and expands police authority.

YUGOSLAVIA

(See also *Intl, UN*)

Feb. 6—Croatian leader Franjo Tudjman agrees to accept a UN cease-fire plan unconditionally; the plan would deploy UN peacekeeping troops in Croatia, which has declared its independence. Milan Babic, the leader of the Serbian enclave of Krajina in Croatia, rejects the plan.

Feb. 16—The Tanyug news agency reports that an assembly in Krajina has voted to oust Babic because of his opposition to the UN peace plan; Babic has refused to leave office and has said he will hold a referendum in the enclave on whether UN peacekeeping troops should come to the area.

Feb. 23—Under pressure from Serbian leaders in Belgrade, Babic agrees to cancel the referendum and to cooperate with UN peacekeeping forces.

ZAIRE

Feb. 16—In Kinshasa, government troops fire on anti-government protesters led by Roman Catholic priests; 13 demonstrators are killed, and several priests arrested.

Feb. 29—State radio and television report that President Mobutu Sese Seko has agreed to reopen a national conference on democracy "soon"; Mobutu, who has ruled Zaire for 26 years, promised 2 years ago to step down after a democratic government is elected. ■

Erratum: In our February 1992 issue, on pages 56 and 57, Susan Kaufman Purcell's article erroneously states that the election results overturned were from Nuevo León; they were actually from San Luis Potosí.

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With the end of the US-Soviet rivalry, will Africa be forgotten? The May issue of *Current History* examines the extent of American engagement in Africa, the uncertain progress toward nonracial government in South Africa, and the continent's latest scourge—AIDS. *Topics scheduled to be covered include:*

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